

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
MAY 25, 2021**

- 1. CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on May 25, 2021, was called to order by President Hamilton at 12:01 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. *(Due to COVID restrictions the meetings are being held virtually.)* President Hamilton presiding.

- 2. ROLL CALL**

Present: Director Hamilton *(via video conference)*, Director Mack, Director Rindfleisch *(via video conference)*.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Human Resources Manager Harp, Information Technology Manager Khattab.

Absent: Director Gasca, Director Moss.

Also Present Via Teleconference or Video Conference:

Legal Counsel Smith.

No members of the public were present via teleconference or video conference before Closed Session.

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

Mr. Kennedy requested an item be added to the agenda titled "Energy Procurement" that was received too late to be included on the agenda and has a short turnaround response time. He suggested this be added as Item #28A. There was no objection to the amendment.

- 4. INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

The instructions were not read aloud due to no public members in attendance prior to Closed Session.

- 5. 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.

(*) - Asterisk indicates a report is attached.

The meeting adjourned to Closed Session at 12:03 p.m.

6. CLOSED SESSION

A. Conference with Legal Counsel-Anticipated Litigation (Government Code §54956.9(d)(2))

* One Item

B. Conference with Legal Counsel - Anticipated Initiation of Litigation (Government Code §54956.9(d)(4))

* One Item

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

Agency Designated Representatives

Tom Kennedy

Karleen Harp

Tracy Largent

Discussions regarding labor negotiations for:

Rainbow Employees Association

Rainbow Association of Supervisors and Confidential Employees

Rainbow Exempt Employees Association

D. Conference with Legal Counsel - Existing Litigation Pursuant to Government Code Section 54956.9(d)(1)

* Kessner et al., v. Rainbow Municipal Water District, et al.

7. REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

This item was addressed under Item #11.

The meeting reconvened at 1:10 p.m.

Time Certain: 1:00 p.m.

8. REPEAT CALL TO ORDER - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on May 25, 2021, was called to order by President Hamilton at 1:10 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. *(Due to COVID restrictions the meetings are being held virtually.)* President Hamilton presiding.

9. PLEDGE OF ALLEGIANCE

(*) - Asterisk indicates a report is attached.

10. REPEAT ROLL CALL

Present: Director Hamilton (*via video conference*), Director Mack, Director Rindfleisch (*via video conference*).

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Human Resources Manager Harp (*for meeting start*), Ahmed Khattab.

Absent: Director Gasca, Director Moss.

Also Present Via Teleconference or Video Conference:

Legal Counsel Smith, Engineering and Capital Improvement Program Manager Williams, Operations Manager Gutierrez, Human Resources Manager Harp (*for meeting duration*), Customer Service and Communications Supervisor Gray, Construction and Maintenance Supervisor Lagunas, Senior Accountant Rubio, Project Manager Tamimi, Engineering Technician Rubio, Customer Service Representative Kilmer.

Eleven members of the public were present for Open Session via teleconference or video conference.

11. REPEAT REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

Legal Counsel reported the Board met to discuss four items with one reportable action with the Board authorizing initiation of litigation to recover property transferred pursuant to a contract with Blum.

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

President Hamilton noted an Item #28A would be added to the agenda per Item #3.

13. REPEAT INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE

President Hamilton read aloud the instructions for those attending the meeting via teleconference or video conference.

14. 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).

Jo MacKenzie introduced herself to the Board noting she currently serves on the Board of Directors at both the Vista Irrigation District as well as the California Special Districts Association (CSDA). She mentioned she is up for re-election on the CSDA Board and how part of the re-election process, each of the nine candidates are tasked with reaching out to the various boards to seek their support in the election which was the reason she wanted to address the RMWD Board today. She stated she has the experience, commitment, and proven leadership over the years to continue in this position in representing for the entire Southern Network which includes each of the six southern counties. She shared information regarding some of the upcoming CSDA

(*) - Asterisk indicates a report is attached.

webinars and conferences, Special District Leadership Academy as well as scholarships available to qualifying agencies. Discussion ensued.

Director Rindfleisch asked staff to research whether there any outstanding CSDA certifications for which he qualifies.

Jon Monday requested the comment he emailed to RMWD be addressed. Mr. Kennedy stated Mr. Monday sent an email asking questions related to the detachment which has been forwarded to the Board of Directors.

Mr. Kennedy responded to one of the questions related to whether desalination hookup would be lost should RMWD detach from SDCWA noting it is true with detachment the connections through which RMWD would receive desalination water would be lost; however, the reality is that the desalinated water would only reach approximately 10% of the FPUD and RMWD service areas. He explained it would be essentially the same situation as it is currently with Metropolitan Water District (MWD) continuing to work on projects that will provide additional resources to the region as a whole.

Mr. Kennedy addressed Mr. Monday's inquiry regarding an article stating 45,000 customers would save approximately \$10 million by switching as he explained the savings are estimated to be \$7-\$10 million depending on how LAFCO determines the outcome. He pointed out RMWD and FPUD have 17,000 combined customers and how the 45,000 was population; therefore, the actual savings per customer would be larger than \$18 per month.

Mr. Kennedy noted Mr. Monday inquired as to whether most of the savings would go to agricultural customers losing access to a long-term, stable water supply. Mr. Kennedy stated due to most of the agricultural customers already receiving discounted rates through the TSWAR program provided by SDCWA, the reality is most of the savings would go to the residential customers.

Mr. Kennedy pointed out Mr. Monday requested a breakdown of single-family residences versus 10+ acre agriculture customers. He stated this would be provided over the next couple of months as part of the impact of rates are broken down.

Mr. Monday asked even if it does not get to us, it increases the supply to the whole group and what is the difference between residential and agriculture. Mr. Kennedy explained part of the process in determining whether agencies are able to supply all of the demands involves each agency preparing an Urban Water Management Plan and how the results have demonstrated regardless of whether FPUD and RMWD are a part of SDCWA or Eastern Municipal Water District (EMWD), both have supply portfolios adequate to meet the demands.

Mr. Monday inquired as to the amount of agriculture discount. Mr. Kennedy stated these discounts total approximately \$300 per acre foot on water purchases.

Mr. Monday stated it appears to him the desalination is the only dependable supply and why they do not pay for a long-term solution. Mr. Kennedy explained there is no dispute desalination may or may not become a part of Southern California's future; however, it is very expensive and involves many environmental challenges. He pointed out the high cost of water has put many growers out of business over the past 10-15 years and how agriculture customers value the cost of water over reliability because in the event of a drought, they are able to adjust their crops for a year as opposed to high water costs putting them out of business entirely.

***15. PUBLIC HEARINGS**

A. PUBLIC HEARING TO SOLICIT PUBLIC INPUT ON THE DRAFT 2020 WATER SHORTAGE CONTINGENCY PLAN (WSCP) INCLUDING DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF RESOLUTION NO. 21-10, APPROVING THE DISTRICT'S DRAFT 2020 WSCP

President Hamilton opened the public hearing at 1:34 p.m.

It was confirmed no comments were received.

Mr. Williams explained staff has been working on updating both the District's WSCP and UWMP since last Fall and how both are required to be updated every five years per the California Water Code and Department of Water Resources through adoption of two separate resolutions. He noted both plans were released for review and public comment on May 11, 2021, and how a public hearing must be conducted prior to adoption of either of the plans.

Mr. Williams introduced JP Semper with Brown & Caldwell. Mr. Semper shared the presentation titled "2020 Water Shortage Contingency Plan" that was previously presented to the RMWD Engineering and Operations Committee in April.

Director Mack requested clarification as to what would be considered a decorative water feature. Mr. Semper stated this would be something such as a decorative fountain spraying water and exposed to evaporative losses.

President Hamilton closed the public hearing at 1:43 p.m.

There were no additional comments.

Motion:

To approve Option 1 - Open public hearing, take testimony, and close public hearing, adopt Resolution 21-10, approving the 2020 WSCP with any amendments presented at the public hearing, and make a determination that the action identified herein does not constitute a "project" as defined by CEQA.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

B. PUBLIC HEARING TO SOLICIT PUBLIC INPUT ON THE DRAFT 2020 URBAN WATER MANAGEMENT PLAN (UWMP) INCLUDING DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF RESOLUTION NO. 21-11, APPROVING THE DISTRICT'S DRAFT 2020 UWMP

President Hamilton opened the public hearing at 1:44 p.m.

It was confirmed no comments were received.

Mr. Williams introduced JP Semper with Brown & Caldwell who shared a presentation titled "2020 Urban Water Management Plan" noting this was an umbrella document with many appendices attached to it such as the WSCP reviewed under Item #15A.

President Hamilton asked if there was a similar 20% reduction in gallons per day usage requirement for the 2020 plan as was the part of the 2015 plan. Mr. Semper explained this requirement was part of the Senate Bill for the Water Conservation Act of 2009 where it was required to calculate a baseline, take a 20% reduction which was to be reported out as part of the 2020 plan which has been met. President Hamilton inquired as to whether there would be a second phase to this requirement. Mr. Kennedy stated the State will be trying to get down to 50 gallons per day or lower for indoor water use which would be difficult for RMWD to calculate due to being inclusive of exterior irrigation.

President Hamilton inquired as to what occurs in the event the approval of these plans is rejected by the Department of Water Resources (DWR). Mr. Semper explained should this occur, DWR would come back in the form of questions for clarifications or modifications as opposed to an outright rejection.

Mr. Kennedy pointed out as Mr. Semper indicated, this plan was mainly looking at the supply from SDCWA; however, in RMWD's application and supplemental information submitted to LAFCO as well as in Eastern Municipal Water District's UWMP, supplies for RMWD have been included as optional forecasted potential increase demand so RMWD's detachment to EMWD will be equivalent and identical to this as far as the result of the stress test RMWD will have enough supply in the event of a shortage. He clarified any recasting of the UWMP would not need to be conducted until the next plan is prepared in five years regardless of whether RMWD detaches from SDCWA.

There were no additional comments.

President Hamilton closed the public hearing at 1:56 p.m.

Motion:

To approve Option 1 - Open public hearing, take testimony, and close public hearing, adopt Resolution 21-11, approving the 2020 UWMP with any amendments presented at the public hearing, and make a determination that the action identified herein does not constitute a "project" as defined by CEQA.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

16. EMPLOYEE RECOGNITIONS

A. Karleen Harp (5 Years)

Mr. Kennedy stated Karleen Harp was one of the best human resources manager with whom he has ever worked and how her fresh insight in terms of how RMWD can do better with its employees has been beneficial. He thanked Ms. Harp for all she has done as he presented her with a plaque and check in recognition of her tenure.

***17. APPROVAL OF MINUTES**

A. April 27, 2021 - Regular Board Meeting

Motion:

Approve the minutes.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

***18. 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 Hamilton)

There was no report given.

(*) - Asterisk indicates a report is attached.

B. Representative Report (Appointed Representative)

1. SDCWA

A. Summary of Board Meeting April 22, 2021

Mr. Kennedy reported it was recently discovered SDCWA may be transcribing some RMWD meetings and how he will request copies of such for possible use as RMWD's meeting minutes since it was something for which RMWD pays. He also noted the main focus at SDCWA was the rates and budget and how Ms. Largent sent SDCWA a detailed letter regarding the debt policy to which SDCWA responded. He pointed out SDCWA has not yet provided a draft budget for possible ratification. He concluded with mentioning SDCWA Board Members have remitted letters related to their proposed rate increases as well as the issues related to SDCWA meddling with the City of Oceanside's selection of a proxy and appropriate use of the Brown Act were ongoing.

2. CSDA

Director Mack reported the CSDA Legislative Committee met again at the end of April during which time Assembly Bills were reviewed. He noted AB1447 related to the California Infrastructure Act under which rural agencies could receive money toward pipe replacements. Mr. Kennedy stated RMWD was classified as an urban water system; however, more state and federal monies will become available over the next few years.

Director Mack reported AB399 related to Local Governance Open & Public Meeting – the Local Governance Open & Public Meeting removed some of the translation requirements have been removed for special districts. Legal Counsel confirmed this was part of his written attorney report noting this requirement only applied to cities and counties with population of 250,000 or more.

Director Mack mentioned AB1138 related Unlawful Cannabis Civil Enforcement will now include a \$30,000 fine for water stolen for the purpose of growing illegal cannabis and SB427 regarding Water Theft Enhanced Penalties for situations where construction companies utilize fire hydrant water illegally.

Director Mack noted his disappointment with attending the CSDA Legislative Days in that there were no opportunities to attend various courses.

Mr. Kennedy reported there was a LAFCO candidate forum held during the May 20, 2021, CSDA Quarterly meeting at which President Hamilton gave a pitch for his appointment.

3. LAFCO

Mr. Kennedy reported RMWD paid the filing fees for the Pardee Citro annexation.

4. San Luis Rey Watershed Council

There was no report given.

5. Santa Margarita River Watershed Watermaster Steering Committee

President Hamilton reported the next meeting will be held in July.

(*) - Asterisk indicates a report is attached.

6. ACWA

Director Mack shared some of the issues that occurred with attending the virtual ACWA Spring Conference due to a catastrophic server malfunction with the company providing services to conduct the meeting virtually. He stated several hours had passed before he was notified the first day was rescheduled for Friday resulting in the conference being held over three days as opposed to two. President Hamilton recommended RMWD request a refund for not being able to attend. Director Mack clarified he did listen to the recorded version of the conference on Saturday; therefore, he wanted to know if he would be eligible for compensation for three days.

Director Mack reported he found one of the early forums very informative during which EMWD explained how they lost approximately \$5 million due to the pandemic.

C. Meeting, Workshop, Committee, Seminar, Etc. Reports by Directors (AB1234) **1. Board Seminar/Conference/Workshop Training Attendance Reports**

President Hamilton reported he participated in the required harassment training arranged by RMWD as well as the CSDA Quarterly meeting. Director Mack agreed the harassment training was very well done.

D. Directors Comments

There were no comments.

E. Legal Counsel Comments **1. Attorney Report: Brown Act and CEQA Update 150152-0005**

Legal Counsel summarized the information contained in his written report.

President Hamilton inquired as to whether RMWD could continue to offer means for attending public meetings virtually. Legal Counsel answered once the Governor's Executive Orders are removed, the existing requirements for the Board Members would apply and offering public members virtual options on a continual basis would be allowable even without new legislation.

19. COMMITTEE REPORTS

A. Budget and Finance Committee

Mr. Nelson reported the committee met on May 11th during which they were provided with an update on the WSUP program as well as the backflow charge investigation process. He noted the committee were provided with presentations on the cost of service study as well as the Operating and CIP budget after which the committee provided input.

B. Communications and Customer Service Committee

Mr. Shute reported the committee met on May 6th during which discussions took place regarding the reduction in call volume and potential improvements, provided feedback on the communications related to the backflow investigation matter, as well as discussed options for collecting customer feedback via surveys.

(*) - Asterisk indicates a report is attached.

C. Engineering and Operations Committee

Mr. Nelson reported the committee met on May 5th during which the committee received an update on the recent reservoir cleanings, Morro mixer progress, and pressure reducing stations installations. He noted the Community Power Resiliency deadline has been extended to March 2022. He mentioned Items #15 and #23 before the Board have been recommended for approval by the Engineering and Operations Committee meeting.

Mr. Williams announced a scoping meeting would be conducted with all interested stakeholders via a Zoom webinar on June 16th which will be open to the public.

PRESENTATIONS

20. COST OF SERVICE PRESENTATION

Mr. Kennedy introduced Andre Boehling of IB Consulting who gave a presentation on the Cost of Service Study noting the steps taken in preparing the information being provided. She noted it was recommended RMWD have 3-6 months' worth of cash on hand for operating including purchase water costs. She pointed out it RMWD was on target with its capital as well as rate stabilization funds. She reviewed the District's current financial status including how RMWD would be operating in a deficit starting 2022 should no revenue adjustments be implemented. She pointed out by 2023 RMWD will no longer be able to fund capital and operations may be impacted unless revenue adjustments are made. She presented two options for consideration.

Director Rindfleisch asked if IB Consulting was recommending a lower rate adjustment in 2022 or if the 5% represented their recommendation. Mr. Kennedy stated without the 5% it would cascade throughout the subsequent years as well as how this increase would be the first revenue increase to RMWD in almost three calendar years which equates to approximately 1.5% per year. Ms. Boehling added it would be typically recommended to implement the larger increase as soon as possible; however, the current recommendation was modest to provide time for the possible detachment to provide rate relief before passing a significant impact on to the RMWD customers.

Ms. Boehling reviewed the full proposed capital plan noting RMWD was seeking other means for funding its capital projects. Mr. Kennedy pointed out the proposed budget will include funding a grant position as a means to aggressively obtain grant monies.

Ms. Boehling mentioned the regulatory requirements involved with implementing rate adjustments. She reiterated the importance of the Board to understand agriculture makes up 69% and single family 25% of the District's total usage and how this must be taken into consideration when doing the cost of service because so much of the usage is volatile. She pointed out rate adjustments cannot be set in an arbitrary manner, but rather require rationale and justification.

Ms. Boehling talked about the benefits and disadvantages of a uniform rate structure. President Hamilton requested clarification and asked why those customers using less water would pay more. Ms. Boehling explained this would be similar to flat rates and what occurs when rates are tiered. Mr. Nelson pointed out another advantage of using uniform rates would be a step in the direction of coming up with rates allowing RWMD to recover all its operating costs in a relatively equitable manner.

Mr. Kennedy stated it was important to look at the spread between the median and average that shows there are some really big outliers on the high end driving the average upward keeping in mind some customers may have wells.

Mr. Kennedy asked Legal Counsel to comment on the legal risks associated with RMWD moving to a uniform rate structure. Legal Counsel stated it was important for RMWD to be very careful to document and study that with it being uniformed each aspect is clearly linked to the proportional cost of service for the customers and would not affect one customer class in a different way than it affects another customer class in such a way one could argue that it results in one group subsidizing another. Discussion ensued regarding RMWD's various customer classes and considering possible reclassification.

Director Mack noted his preference would be to wait until the remaining Board Members are presented to provide their input prior to making a decision. Mr. Kennedy pointed out this item was informational only.

President Hamilton called for a break at 3:10 p.m.

The meeting reconvened at 3:30 p.m.

21. OPERATING AND CAPITAL BUDGET PRESENTATION

Ms. Largent shared a presentation titled "FY 2021 Rainbow Municipal Water District Proposed Operating Budget and Capital Improvement Program" noting the assumptions include the 5% revenue adjustments as of September 1, 2021, as well as SDCWA increases as of January 1, 2022. Discussion ensued.

Director Mack asked about the 37% increase to Board of Director expenses. Mr. Kennedy pointed out the budgeted amount was in alignment with normal expenditures; however, since there was limited travel last year due to the pandemic, it appears as an increase.

Ms. Largent pointed out changes made to the Capital Projects list since being presented to the Budget and Finance Committee on May 11th.

Ms. Largent pointed out the 5% rate adjustment was necessary this year since RMWD would not see benefit from detachment in the first fiscal year. Discussion ensued.

Director Rindfleisch recommended taking a look at the frequency of main line breaks and the expectation of how much to increase rates over time if the CIP plan was reduced to 80%. Mr. Kennedy explained reviewing the frequency of main line breaks done as part of the Condition Assessment Program. He stated this could all be dialed back; however, the problem will not go away, will make future rate increases that much more, as well as liability insurance tougher to maintain.

Ms. Largent noted staff recommends a five-year maximum rate increase according to Option 1 or 2 go into effect September 1, 2021, to support the Capital Improvement Plan as well as ensure Operating and Capital Reserves are at minimum Board approved levels. She pointed out once in effect, staff would review the revenue requirements annually in conjunction with the budget process, receive direction from the Board on an annual amount of rate increase up to the approved maximum from the 5-year hearing. She added approving a five-year maximum rate increase will reduce staff and consultant time spent on the rate hearing process although rate

(*) - Asterisk indicates a report is attached.

increase notices would be required. She concluded with noting future increases would be dependent upon detachment, detachment timing, as well as grant funding is secured. Discussion followed.

Mr. Kennedy asked for comments be remitted to him or Ms. Largent no later than June 8, 2021.

Director Rindfleisch requested a 70% CIP plan be presented. Mr. Kennedy agreed to prepare such. Ms. Largent pointed out this would require updating the Cost of Service analysis as well as noted concerns with shaving more off the CIP could put the District closer to the third option presented. Mr. Kennedy acknowledged the concern and suggested this be produced for the Board to consider.

BOARD ACTION ITEMS

***22. DISCUSSION AND POSSIBLE ACTION TO CHANGE PROPERTY AND LIABILITY COVERAGE LIMITS TO MITIGATE DRASTIC PREMIUM INCREASES**

Ms. Harp explained RMWD completes a renewal questionnaire for property and liability insurance updating its information and subsequently receive a Rate Indication Letter which is an indication of what SDRMA has determined what RMWD's premium rates would likely be for the following year. She noted last year SDRMA gave RMWD a 40% premium increase for the \$10 million limit which SDRMA stated was due to secondary insurance market rates were impacted due to catastrophic losses around the world including wild fires.

Ms. Harp reported on March 31st RMWD received a Rate Indication Letter from SDRMA dated March 25th indicating a 40% increase followed with a revised Rate Indication Letter dated May 10th indicating a 72% increase. She pointed out these new premiums would be for the exact same coverage the District has had since 2005 and how the deadline to withdraw from SDRMA was April 1 thereby not providing RMWD an opportunity to explore other alternatives. She explained RMWD's total losses over the last ten years paid by SDRMA totaled approximately \$630,000 which was less than the new premium; therefore, staff requested an additional Rate Indication Letter showing the premiums for \$5 million per occurrence for Board consideration. She noted although the rate increase would still occur with a reduction in coverage, it would be mitigated from \$700,000 to \$480,000 which equates to a 19% increase in premiums with half the liability coverage.

President Hamilton asked if staff has received any feedback from any alternative carriers. Ms. Harp confirmed staff is actively working on applying for coverage with alternative carriers with the intention of bringing options to the Board for consideration in a timely manner to ensure meeting enrollment deadlines; however, the soonest RMWD could leave SDRMA would be the following fiscal year. She confirmed RMWD pays the yearly premium in lump sum.

President Hamilton expressed disappointment with SDRMA forcing RMWD to utilize them for coverage. Ms. Harp pointed out SDRMA's bylaws require withdrawn notice no later than April 1st and do not allow for mid-year withdrawal. President Hamilton directed staff to send a protest letter to SDRMA for proving insufficient timing between what the rates RMWD would be facing and ability to cancel the policy.

Director Mack inquired as to how the increase went from 40% to 72%. Ms. Harp explained it was her understanding that because SDRMA contracts with other major insurance companies, so they themselves are out there applying with other agencies to receive the best rates possible and how between those dates the rates received from their insurers increased. She agreed the rates were unconscionable that they give RMWD a quote on May 10th when the deadline to withdraw was April 1st.

Motion:

To approve Option 1 - Direct staff to reduce the liability coverage limit from \$10 million to \$5 million per occurrence. The fiscal impact would be a reduction in the premium increase by approximately \$219,335 for the 2021-22 fiscal year, and a \$5 million increase in uninsured liability risk. The 2021-22 premium would be approximately \$480,702 for the 2021-22 fiscal year.

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

Vote: Motion passed (summary: Ayes = 2, Noes = 1, Abstain = 0).

Ayes: Director Hamilton, Director Rindfleisch.

Noes: Director Mack.

Absent: Director Gasca, Director Moss.

Mr. Nelson asked if RMWD looked into Palomar Insurance as a viable option in that they had recently undertaken a willingness to take on liability and casualty insurance as well as a mid-size company based out of San Diego. Ms. Harp stated staff has not specifically looked into Palomar Insurance, but would certainly research look at other alternatives including JPIA's to ensure RMWD has other options to prevent being backed into a corner next year.

23. DISCUSSION AND POSSIBLE ACTION TO APPROVE A THREE-YEAR PROFESSIONAL SERVICES AGREEMENT FOR THE PROCUREMENT AND INSTALLATION OF SUPERVISORY CONTROL AND DATA ACQUISITION RELATED INSTRUMENTATION, RADIOS, SWITCHES, ENCLOSURES AND THE PROGRAMMING OF THIS EQUIPMENT

Mr. Kennedy noted this item was to provide an update on the Request for Proposal for an upgrade to the District's SCADA equipment. He explained interviews were conducted between staff, Mr. Nelson, and two of the responsive bidders which resulted in the selection of Freedom Automation to upgrade the District's SCADA system which is nearing its end of life.

Motion:

To approve Option 1 - Appropriate funding and award a Professional Services Agreement to Freedom Automation, Inc. for the procurement and installation of supervisory control and data acquisition related instrumentation, radios, switches, enclosures and the programming of this equipment not to exceed \$348,000.00, make a finding that the project qualifies for Class 1 Categorical Exemption under CEQA, and authorize the General Manager to execute a contract for the procurement and installation of supervisory control and data acquisition related instrumentation, radios, switches, enclosures and the programming of this equipment with Freedom Automation, Inc.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

***24. DISCUSSION AND POSSIBLE ACTION TO APPROVE A LEASE AGREEMENT FOR THE SITE OF THE BONSALL RESERVOIR**

Mr. Kennedy noted this reservoir had been leased by a nearby grower, Mr. Dabbs, for a long period of time. He explained upon staff receiving indication a solar project could be located at this site, Mr. Dabbs was presented with a notice to leave; however, after it became clear the solar project would not proceed anytime soon, staff reached out to Mr. Dabbs to see about a lease extension who has now agreed to pay the market rate of \$1,683 per month to lease the property. He stated if RMWD does not find this is feasible for a solar project, the matter of selling this site will be brought to the Board for consideration.

Mr. Kennedy also pointed out RMWD contracted with Dr. Lon House, a water and energy specialist affiliated with ACWA, who believes there is a way to craft a way to utilize the Beck Reservoir site without having to upgrade the nearby infrastructure as was previously indicated by other consultants. He said staff keep the Board updated as to what RMWD can anticipate with SDG&E once work with Dr. House commences.

Director Mack inquired as to whether RMWD was going to have someone look at the land to determine its best use. Mr. Kennedy stated the property was appraised as well as why the best use was basically is what it today. President Hamilton pointed out the appraisal was provided as part of the agenda packet. Director Mack asked if this land could be utilized for mitigation area. Mr. Kennedy explained because it was not natural, it would be costly to bring it to this status.

Motion:

To accept Option 1 - Approve the proposed lease agreement, authorize the General Manager to execute the lease agreement on behalf of the District, and make a determination that the action before the Board does not constitute a "project" as defined by CEQA.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

(*) - Asterisk indicates a report is attached.

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

***25. CONSIDER APPROVAL OF AN AGREEMENT FOR OUT OF AGENCY SERVICE TO TRANSFER WATER AND WASTEWATER SERVICE FUNCTIONS FOR APN 123-230-46-00 FROM RAINBOW MUNICIPAL WATER DISTRICT TO FALLBROOK PUBLIC UTILITIES DISTRICT**

Mr. Kennedy explained a RMWD customer with a single parcel located where no nearby RMWD facilities exist was requesting service from FPUD who nearby facilities. He mentioned FPUD has already approved this agreement and how LAFCO approval was not required but would be notified so the parcel can be included in their next Municipal Service Review.

Motion:

To accept Option 1 - Approve the Agreement for Out-of-Agency Service to transfer Water and Wastewater service functions for APN 123-230-46-00 from Rainbow Municipal Water District to Fallbrook Public Utilities District, authorize the General Manager to execute the Agreement for Out-of-Agency Service on behalf of the District, and make a finding that the action before the Board does not constitute a "project" as defined by CEQA.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

26. DISCUSSION AND POSSIBLE ACTION TO APPROVE THE INSTALLATION OF A HELI-HYDRANT FIRE PROTECTION SYSTEM AT PALA MESA TANK SITE

Mr. Kennedy explained this was an item under consideration for quite some time as well as included in next year's budget; however, as this it became clear the fire season would most likely come sooner and harsher than expected, staff wanted to look at this project now as opposed to July.

Mr. Gutierrez shared a presentation title "Proposed Heli Hydrant Installation" noting this tank would provide opportunity for the fire department to lower their snorkel to access water for fighting fires without having to search for water resources difficult to access. He summarized all of the steps taken in determining the installation location and why Pala Mesa was determined to be best. He also pointed out this would be the first heli hydrant in North County and how it would benefit the fire department as well as the District and its ratepayers. Discussion ensued.

President Hamilton asked why there was no cost sharing with North County Fire and Cal Fire. Mr. Gutierrez noted Cal Fire would be assisting with preparing the location site and North County Fire will be taking this matter to their Board for possible funding to assist with the project.

Director Mack requested pictures be submitted to ACWA for their awards program. It was confirmed a great deal of positive media coverage would be generated once the tank is installed.

(*) - Asterisk indicates a report is attached.

Director Rindfleisch asked if \$150,000 has been earmarked in the RMWD's CIP budget for this project. Mr. Kennedy confirmed it was included in the CIP budget; however, staff wanted to bring this to the Board for consideration now as opposed to waiting until the budget was approved so that upon Board approval, the project could be completed prior to the start of the anticipated fire season. Director Rindfleisch asked if the other agencies do not receive funding, would RMWD pay more. Mr. Kennedy clarified should the other agencies receive funding, the cost to RMWD would be less. Director Rindfleisch stated helicopters have dipped into swimming pools to fight local fires in the past; therefore, he did not understand the urgency for this project. President Hamilton explained although helicopters are able to hover vertically, there are a great deal of areas they do not want to do so because there may not be an out should something fail. Mr. Gutierrez added the fire department operational staff have confirmed having a dedicated water source that meets all the parameters will be easily identifiable by all pilots, including those from outside the area. Director Rindfleisch explained although looking at the overall forecast of expenses raises some questions for him, he agrees the return RMWD would receive was more than worth the expense.

Motion:

To approve Option 1 - Add the Heli-Hydrant project to the District's Capital Improvement Plan, appropriate \$149,728 from the Capital Reserve Fund, and authorize the General Manager to execute the contracts necessary to procure and install the equipment.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

***27. DISCUSSION AND POSSIBLE ACTION REGARDING SPECIAL DISTRICT BALLOT FORM FROM SAN DIEGO LOCAL AGENCY COMMISSION (LAFCO) ALTERNATE SPECIAL DISTRICT MEMBER ON LAFCO COMMISSION**

Motion:

To vote for Hayden Hamilton for the alternate special district member on LAFCO.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

28. BOARD MEMBER REQUESTS FOR AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

There were no requests.

Discussion returned from Item #30.

Mr. Kennedy encouraged any Board Members interested in attending the CSDA Annual Conference in August be sure to contact Ms. Washburn so the necessary accommodations can be made.

Discussion went to Item #31.

28A. ENERGY PROCUREMENT

(This item was added per Item #3.)

Mr. Kennedy stated over the last three years he has been applying for direct access through SDG&E which provides RMWD with the option to procure its energy from other sources. He said RMWD just received notification SDG&E approved RMWD switching to a different wholesale provider of electricity only; however, the deadline to make the final selection and execute contracts was June 4, 2021. He explained due to SDG&E denying any extension to the deadline this item was added to the agenda to provide an opportunity for the Board to consider granting him authorization to switch wholesalers should RMWD find a third party to provide RMWD with energy at or below its current price with hopefully some renewable energy component which will assist with environmental impact as well as public relations and environmental compliance for future projects.

Director Mack asked Mr. Kennedy to email the Board should a new wholesaler be selected. Mr. Kennedy agreed.

Motion:

To authorize the General Manager to enter procurement with Legal Counsel's concurrence and review of any contracts that would produce energy at or below RMWD's current rates.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Director Hamilton, Director Mack, Director Rindfleisch.

Absent: Director Gasca, Director Moss.

BOARD INFORMATION ITEMS

***29. RECEIVE AND FILE INFORMATION AND FINANCIAL ITEMS**

A. General Manager Comments

1. Meetings, Conferences and Seminar Calendar

B. Operations Comments

1. Operations Report

(*) - Asterisk indicates a report is attached.

- C. Engineering Comments**
 - 1. Engineering Report
 - 2. As-Needed Services Expenditures Summary
 - 3. RMWD Sewer Equivalent Dwelling Units (EDU's) Status
- D. Human Resource & Safety Comments**
 - 1. Human Resources Report
- E. Finance Comments**
 - 1. Board Information Report
 - 2. Budget vs. Actuals
 - 3. Fund Balance & Developer Projections
 - 4. Treasury Report
 - 5. Five Year Water Purchases Demand Chart
 - 6. Water Sales Summary
 - 7. Check Register
 - 8. Directors' Expenses Report
 - 9. Credit Card Breakdown
 - 10. RMWD Properties

Mr. Gutierrez reported the Water Service Upgrade Project was 54% complete.

Ms. Harp reported CalOSHA was due to vote on new standards to account for vaccinated employees on June 3rd at which time the COVID standards are hopefully significantly reduced.

Ms. Largent reported the interim audit was scheduled to start in the following week.

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

It was noted the budget, successor MOUs, ID 1 public hearing, and an update on the energy procurement will be on the next meeting agenda.

Discussion returned to Item #28.

31. ADJOURNMENT

The meeting was adjourned by Director Hamilton to a regular meeting on June 22, 2021, at 1:00 p.m.

The meeting was adjourned at 4:56 p.m.

Hayden Hamilton, Board President

Dawn M. Washburn, Board Secretary

(*) - Asterisk indicates a report is attached.