



**MINUTES
BOARD OF DIRECTORS REGULAR MEETING
THURSDAY, FEBRUARY 08, 2018
8:30 AM**

INTRODUCTION

A Regular Meeting of the Board of Directors of the Rancho California Water District was held on Thursday, February 08, 2018, at the appointed meeting place of the Board, the Board Room of the District's Administrative Headquarters Building, located at 42135 Winchester Road, Temecula, California.

ROLL CALL

President Bennett Drake called the meeting to order at 8:30 AM. A quorum was declared with the following directors being present.

Bennett Drake	President
Bill Wilson	Sr. Vice President
Carol Lee Brady	Board Member
Angel Garcia	Board Member
Lisa Herman	Board Member
Danny Martin	Board Member
William Plummer	Board Member

Also present were members of the District staff and others, including but not limited to, Legal Counsel Jim Gilpin of Best Best & Krieger; Jeff Armstrong, General Manager; Eva Plajzer, Assistant General Manager-Engineering & Operations; Rick Aragon, Director of Finance/Treasurer; Jason Martin, Director of Administration; Andrew Webster, Chief Engineer; Rich Ottolini, Water Operations Manager; Randy Crowell, Field Services Manager; Eileen Dienzo, Human Resources Manager; Jeff Kirshberg, Water Resources Manager; Heath McMahon, Construction Contracts Manager; Jake Wiley, Engineering Manager-CIP & Development; Meggan Valencia, Senior Public Information Officer; Grace Cardenas, Public Information Specialist; Milin Ream, Senior Administrative Assistant; Denise Todd, Administrative Services Supervisor/Deputy District Secretary, and Kelli Garcia, District Secretary.

Present in the audience were Joe Kuebler of Eastern Municipal Water District, Consultant Bob Mackinnon, Jeff Brown of Urban Parks Concessionaires, and Chris Johnson.

PLEDGE OF ALLEGIANCE

President Drake led the Pledge of Allegiance to the flag.

ADDITIONS TO AGENDA

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code (Brown Act), upon a determination by a two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of Rancho California Water District after the Agenda was posted.

There were no additions to the agenda.

APPROVAL OF AGENDA

A motion to approve the Agenda, as presented, was made by Director Plummer, seconded by Director Brady, and carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: William Plummer, Board Member
SECONDER: Carol Lee Brady, Board Member
AYES: Drake, Wilson, Brady, Garcia, Herman, Martin, Plummer

PUBLIC COMMENT

An opportunity was given for any person to address the Board of Directors (Board) upon any subject not identified on the Agenda, but within the jurisdiction of the Rancho California Water District (RCWD/District). For items not listed on the Agenda, the Brown Act imposes limitations on what the Board may do during public comment. As to matters on the Agenda, persons will be given an opportunity to address the Board when the matter is considered.

There was no public comment.

ITEM 1. APPROVAL OF MINUTES

Director Plummer moved to approve the meeting minutes, as presented. Director Herman seconded the motion, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: William Plummer, Board Member
SECONDER: Lisa Herman, Board Member
AYES: Drake, Wilson, Brady, Garcia, Herman, Martin, Plummer

A. Minutes of the Board of Directors' Regular Meeting of January 11, 2018

ITEM 2. CONSENT CALENDAR

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board of Directors (Board) at one time without discussion. If any Board

member, staff member, or interested person requests that an item be removed from the Consent Calendar, it shall be removed so that it may be acted upon separately.

At this time, President Drake announced that he has a conflict of interest on Consent Calendar Item 2G - *Consider Approval of Twelve Oaks Resort Winery and Residential Project Water Supply Assessment*, and prior to recusing himself, asked if there were any other requests to remove an item for separate discussion. Hearing none, he entertained a motion to approve Consent Calendar Items 2A through 2F, as presented.

Director Martin moved to approve Consent Calendar Items 2A through 2F, as presented. Director Wilson seconded the motion, and it carried as follows:

RESULT: APPROVED [UNANIMOUS]

MOVER: Danny Martin, Board Member

SECONDER: Bill Wilson, Sr. Vice President

AYES: Drake, Wilson, Brady, Garcia, Herman, Martin, Plummer

- A. Consider Approval of Financial Statements, December 31, 2017**
- B. Semi-Annual Review of Investment Portfolio for Second Half of 2017; and Consider Approval of Treasurer's Report, Certification of Cash Sufficiency, and Related Investment Activity Data, as of December 31, 2017**
- C. Consider Ratifying Register of Audited Demands for the Period December 22, 2017 through January 25, 2018**
- D. Annual Review of Rancho California Water District's Investment Policy**
- E. Consider Approval of Rancho California Water District's 2018 Legislative Priorities**
- F. Consider Request for Approval of Revision to Administrative Code: Part III - Engineering, Operations, and Maintenance of the District, Chapter 1, Rules and Regulations for the Rancho California Water District, Section 1, Water System Facilities and Service**
- G. Item Pulled from Consent Calendar

ITEM 2G PULLED FROM CONSENT CALENDAR

Consider Approval of the Twelve Oaks Resort, Winery and Residential Project Water Supply Assessment

Prior to item discussion, President Drake recused himself from the dais and left the meeting.

With regard to Consent Calendar Item 2G - *Consider Approval of the Twelve Oaks Resort, Winery and Residential Project Water Supply Assessment*, Senior Vice President Wilson entertained a motion from the Board.

Director Martin moved to approve Consent Calendar Item 2G, as presented. Director Garcia seconded the motion, and it carried as follows:

RESULT: APPROVED [6 TO 0]
MOVER: Danny Martin, Board Member
SECONDER: Angel Garcia, Board Member
AYES: Wilson, Brady, Garcia, Herman, Martin, Plummer
RECUSED: Bennett Drake

ITEM 3. ACTION ITEMS

At this time, President Drake returned to the meeting.

A. Consider Approval of Scope of Work for an Appraisal of the Vail Lake RV Resort

Addressing the Board of Directors (Board), Chief Engineer Andrew Webster reported as a follow-up from the January 18, 2018 Vail Property workshop, that staff, in conjunction with legal counsel, prepared a draft scope of work for an appraisal of the Vail Lake RV Resort for the Board's review and consideration. Should the Board wish to proceed, Mr. Webster advised that staff would move forward with the Request for Proposals (RFP) process and further stated that staff would request to keep the appraisal confidential for future negotiation purposes.

Director Martin commented on the scope of work and opined that he would like to see the scope's intent revised to reflect the appraisal being considered a Complete Analysis rather than a Limited Analysis and eliminating the Restricted Report, whereby providing the District with comprehensive details in order to make the best informed decision.

Director Plummer expressed that, while the Board requested the appraisal, he would like clarification as to how it would be utilized by District staff.

Addressing Director Plummer's comments, Mr. Webster explained that staff would utilize the appraisal to assist in the financial analysis in determining the best use of the RV portion of the Vail property for the Board's consideration.

Lengthy discussion ensued among the Board and staff regarding the appraisal process, cost, appraiser qualifications and experience, analysis outcome, and the financial aspect of the property improvements.

Following the discussion, General Manager Jeff Armstrong conveyed that having an appraisal would assist staff during the negotiation process by establishing a data point, whereby achieving the best value and outcome to benefit the District and its overall vision.

At this time, Legal Counsel Jim Gilpin explained staff's recommendation of keeping the appraisal private versus public. He further noted that the appraisal would only become public once a proposal was accepted by the Board.

Director Herman opined that from what she has reviewed, and hearing staff's explanation of the appraisal's purpose, she feels that what is being presented is acceptable.

Director Brady inquired as to the cost estimate with staff's proposal versus the complete

analysis proposed by Director Martin.

Responding, Director Martin explained that staff's proposal would produce an insufficient analysis, resulting in a disservice to staff and the rate-payers. He further advised that in his professional capacity as a real estate appraiser and not a Board member, revising the scope of work to include a complete appraisal analysis (\$10-\$15K) would only benefit the District.

Next, Legal Counsel Jim Gilpin provided the Board with a brief explanation as to the scope of work's intended use versus restricted use.

Lengthy discussion continued regarding the value of keeping the appraisal confidential, RFP selection and negotiation process, determining the current condition and level/rating of the RV Park, and the potential value and use of the property.

Director Martin made a motion to approve staff's recommendation to begin soliciting companies to provide an appraisal of the Vail Lake RV Resort, with the caveat to change the scope of work to include a complete appraisal analysis to be used for negotiation purposes. Director Brady seconded the motion, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Danny Martin, Board Member
SECONDER: Carol Lee Brady, Board Member
AYES: Drake, Wilson, Brady, Garcia, Herman, Martin, Plummer

B. Review of Utilization of Federal Express Services to Deliver 48-Hour Shut-Off Notices

Director of Administration Jason Martin addressed the Board of Directors (Board) and expressed that said item was initially reviewed at the January 4, 2018 Finance and Audit Committee's regular meeting, and moved to the Board without a recommendation for further review and discussion. However, Mr. Martin advised that a new Senate Bill (SB) was recently issued that would affect the way Rancho California Water District (District) handles shut-offs for non-payment.

At this time, Mr. Martin invited Senior Public Information Officer Meggan Valencia to address the Board and provide a brief update on SB 998 Senator Dodd.

With regard to SB 998, Ms. Valencia briefly discussed the basis of the bill by reviewing the following details:

- Introduced February 5, 2018
- Existing law declares it to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes

Utilizing a PowerPoint presentation, Ms. Valencia expounded by discussing the impacts of SB 998 as:

The bill requires:

- Public water system to have a written policy on residential service shut-off in English, Spanish, or any other language spoken by at least 5 percent of the people residing in the service area
- The notice be provided annually to customers in writing and on the website
- Penalty for violation in amount not-to-exceed \$500 for each day in which the violation occurs
- Prohibit water system for shutting off residential service until a payment by a customer has been delinquent for at least 60 days
- Water system must contact customer and provide shut-off policy no less than three days prior to shut-off
- Prohibit shut-off until the District notifies the local health department and the health department assesses the health and safety of the residents

Continuing, Ms. Valencia discussed the following factors related to the District's requirements:

- District to provide the customer with information on how to restore service and petition for a waiver of reconnection fees
- District to waive reconnection fees and offer a reduction of interest charges on customers that have a household income below 200 percent of the federal poverty line
- Report the number of annual shut-offs for inability to pay on District website

With regard to special residential circumstances not allowing shut-off, Ms. Valencia explained that SB 998 would not allow shut-offs should one of the following apply:

- Resident is 65 years of age or older and receiving in-home care
- Resident is undergoing hospice care
- Resident is suffering from a life-threatening medical condition that a licensed physician certifies will worsen with shut-off
- An infant is present in the household
- A severely disabled child is present in the household

General discussion ensued between the Board and staff regarding the gravity and potential related impacts to the District under the proposed SB.

It was moved by Director Wilson and seconded by Director Brady to defer discussion on the subject item to a future meeting. The motion carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Bill Wilson, Sr. Vice President
SECONDER: Carol Lee Brady, Board Member
AYES: Drake, Wilson, Brady, Garcia, Herman, Martin, Plummer

C. Consider Approval of Employment Agreement Between Rancho California Water District and General Manager Jeff Armstrong

Hearing no comments on the subject item, President Drake entertained a motion from the Board.

It was moved by Director Plummer and seconded by Director Martin to approve the Employment Agreement, dated February 8, 2018, between Rancho California Water District and General Manager Jeff Armstrong. The motion carried as follows:

RESULT: **APPROVED [5 TO 2]**
MOVER: William Plummer, Board Member
SECONDER: Danny Martin, Board Member
AYES: Drake, Wilson, Brady, Martin, Plummer
NAYS: Angel Garcia, Lisa Herman

D. Review and Approval of Rancho California Water District's At-Will Executive Management and Management, Professional, and Confidential Employees' Salary Schedules

Human Resources Manager Eileen Dienzo addressed the Board of Directors (Board) to review and approve the changes made to the salary range schedules for the At-Will Executive Management Group, and the Management, Professional, Confidential Employees' Association (MPCEA).

Referring to her report, Ms. Dienzo indicated that new contracts created for the General Manager, Assistant General Manager-Chief Financial Officer/Treasurer, and the Director of Human Resources resulted in making the changes to the at-will executive management salary schedule. Said changes reflect updating the General Manager's salary, reflecting two Assistant General Manager positions, and modifying the Human Resources Manager title to that of Director of Human Resources. Moreover, she discussed that title changes were also implemented for two positions in the MPCEA unit—the Engineering Manager-Operations was changed to the new title of Infrastructure Assets Manager, and the Senior Public Information Officer was changed to Public Affairs Manager.

Next, Ms. Dienzo reported that the California Public Employee Retirement System regulation states that for salary schedules to be considered “compensation” for retirement calculation purposes, an employee’s salary range must be listed on a salary schedule that has been approved by the employer’s governing body, in compliance with public meeting laws.

Responding to an inquiry from President Drake regarding the compensation for the Assistant General Manager-Chief Financial Officer/Treasurer position, Ms. Dienzo stated that, as outlined in the staff report, said position would have an initial fiscal impact of approximately \$15,000 annually, with a maximum of \$25,500 over time.

Responding to an inquiry by Director Garcia, Ms. Dienzo explained that both assistant general manager positions have the same salary range; however, the actual salary received may be different depending on where they fall within the position’s range.

General Manager Jeff Armstrong expressed that both of the positions’ ranges were developed a few years ago, via a compensation survey the District had conducted. He further advised that the District will be conducting another survey in September 2018, whereby the specified ranges could potentially change depending on the survey results.

Expounding, Ms. Dienzo explained the compensation study that the District conducts

every three years and advised that if said study reveals that a change is warranted, the proposed salary ranges would be presented to the Board for their review and consideration.

Referencing the assistant general manager positions, Director Garcia opined that said positions are completely different with very different levels of responsibility. He further conveyed that he has found that other assistant general manager's in charge of engineering/operations from other water agencies have a higher salary range than an assistant general manager in the finance area.

Director Wilson opined that the salary schedules presented are all high for the region.

Following discussion, President Drake entertained a motion from the Board.

Director Plummer made the motion to approve Rancho California Water District's At-Will Executive Management Salary Schedule and the Management, Professional, Confidential Employees' Association Salary Schedule, pursuant to California Public Employee Retirement System regulation. Director Brady seconded the motion, and it carried as follows:

RESULT: **APPROVED [5 TO 2]**
MOVER: William Plummer, Board Member
SECONDER: Carol Lee Brady, Board Member
AYES: Drake, Wilson, Brady, Martin, Plummer
NAYS: Angel Garcia, Lisa Herman

ITEM 4. INFORMATION ITEMS

This item is intended for information only; however, at the discretion of the Board of Directors (Board) may be discussed.

There was no discussion on the following items:

- A. Activity Report, Committees of the Board for the Month of January**
- B. Claims Activity Report for the Month of January**
- C. Newspaper Articles**

ITEM 5. EXECUTIVE REPORTS

A. General Counsel's Report

General Counsel Jim Gilpin provided a reminder regarding the mandatory lead testing that Rancho California Water District must complete by July 1, 2019, under Assembly Bill 746.

B. General Manager's Report

General Manager Jeff Armstrong provided a brief update on the second meeting of the City of Murrieta Water Committee and scheduling a future joint meeting to be conducted with the Riverside Local Agency Formation Commission.

Next, Mr. Armstrong announced that an Ad Hoc Committee meeting with Western Municipal Water District (WMWD) is tentatively scheduled in February to review and discuss Murrieta's service area. He further reported on a letter received from WMWD citing disappointment related to the Board of Directors' (Board) action taken at its January 11, 2018 regular meeting related to the potential Sauer annexation. He explained that the discord was with the Board taking action without having any WMWD representatives present to comment on said matter.

Concluding his report, Mr. Armstrong highlighted the recent tour given at the Santa Rosa Water Reclamation Facility to three Elsinore Valley Municipal Water District board members and the upcoming Second Annual Agriculture Water Summit scheduled for March 16, 2018.

C. Board Members' Comments and Reports

Director Brady commented on having attended a tour of the Vail Lake property with Director Garcia and District staff, provided by Jeff Brown of Urban Park Concessionaires.

Director Garcia also commented and thanked staff for the Vail Lake property tour.

President Drake commented on having attended a Bay-Delta tour, whereby discussion took place related to the tunnels and federal project funding. He further noted a tour of Sonoma County and the positive role the agriculture community played in the recent fires.

There being no further Board member comments, President Drake announced a 10-minute break to be followed by adjournment to closed session.

ITEM 6. CLOSED SESSION

At any time during the regular session, the Board may adjourn to closed session to consider litigation, personnel matters, or to discuss with legal counsel matters within attorney-client privilege. Discussion of litigation is within the attorney-client privilege and may be held in closed session. Authority: Government Code Section 54956.9

- A. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION - Initiation of Pursuant to Paragraph (4) of Subdivision (d) of Section 54956.9: One (1) Potential Case**
- B. CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION (Per Government Code § 54956.9 (a)) - United States vs. Fallbrook Public Utility District, Case No. 1247**
- C. CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION (Per Government Code § 54956.9 (a)) - United States of America et al. vs. J-M Manufacturing Company, Inc. Case No. 5:06-CV-00055-GW**
- D. CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION (Per Government Code § 54956.9 (a)) - Rancho California Water District vs. CR&R, Case No. MCC1601125**

Director Wilson left at 10:40 a.m., during closed session discussion.

The Board reconvened to open session at 10:55 a.m., whereby General Counsel Jim Gilpin reported that while in closed session, the Board authorized initiation of litigation to enforce an Agency Agreement recorded against 36500 De Portola Road, Temecula, California.

ITEM 7. ADJOURNMENT

There being no further business to come before the Board of Directors, the meeting adjourned at 10:55 AM.