



**MINUTES
BOARD OF DIRECTORS REGULAR MEETING
THURSDAY, APRIL 12, 2018
8:30 AM**

INTRODUCTION

A Regular Meeting of the Board of Directors of the Rancho California Water District was held on Thursday, April 12, 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, General Counsel Jim Gilpin of Best Best & Krieger, General Manager Jeff Armstrong, Assistant General Manager-Engineering & Operations Eva Plajzer, Assistant General Manager-CFO/Treasurer Rick Aragon, Director of Human Resources Eileen Dienzo, Director of Administration Jason Martin, Chief Engineer Andrew Webster, Water Operations Manager Rich Ottolini, Field Services Manager Randy Crowell, Construction Contracts Manager Heath McMahon, Public Affairs Manager Meggan Valencia, Water Resources Manager Jeff Kirshberg, Engineering Manager-CIP & Development Jake Wiley, Finance Analyst Bill Moses, Public Information Specialist Grace Cardenas, Senior Water Resources Planner Justin Haessly, Administrative Services Supervisor/Deputy District Secretary Denise Todd, Senior Administrative Assistant Milin Ream, and District Secretary Kelli Garcia.

Present in the audience were Consultant Bob Mackinnon, Jeff Brown of Urban Parks Concessionaires, and Steve Corona of the Upper Santa Margarita Irrigated Lands Group.

PLEDGE OF ALLEGIANCE

Director Martin lead 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

President Drake entertained a motion to approve the Agenda of the Regular Meeting of the Board of Directors of the Rancho California Water District of April 12, 2018.

MOTION: Director Brady moved to approve the Agenda of the Regular Meeting of the Board of Directors of the Rancho California Water District of April 12, 2018. Director Garcia seconded the motion, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**

MOVER: Carol Lee Brady, Board Member

SECONDER: Angel Garcia, 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. 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

MOTION: Director Martin moved to approve the meeting minutes, as presented and referenced below. Director Plummer seconded the motion, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**

MOVER: Danny Martin, Board Member

SECONDER: William Plummer, Board Member

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

A. Consider Approval of Minutes of the Board of Directors' Special Meeting of March 7, 2018 and Regular Meeting of March 8, 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 requested that, Consent Calendar Item 2E *Acceptance of Retirement Medical Benefit Plan Update and Actuarial Valuation Results, and Authorization to Pay Required Contributions for Fiscal Years 2017-2018 and 2018-2019*, and Item 2H *Consider Denying Request in Disclosing of Certain Customer Data* be pulled for separate action.

Director Martin requested that, Consent Calendar Item 2G *Consider Adoption of Resolution to Approve the Rancho Division Purchasing Property from the WasteWater Division* be pulled for separate action.

Hearing no additional comments nor requests to remove any other items for separate discussion, President Drake entertained a motion to approve remaining Consent Calendar Items 3A through 3D and 3F, as presented.

MOTION: Director Herman moved to approve Consent Calendar Items 3A through 3D and 3F, as presented. Director Plummer seconded the motion, and it carried as follows:

RESULT: APPROVED [UNANIMOUS]

MOVER: Lisa Herman, Board Member

SECONDER: William Plummer, Board Member

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

- A. Consider Approval of Financial Statements, February 28, 2018
- B. Consider Approval of Treasurer's Report and Certification of Cash Sufficiency, as of February 28, 2018
- C. Consider Ratifying Register of Audited Demands for the Period February 23 through March 22, 2018
- D. Acceptance of Award Received from the Government Finance Officers Association for Rancho California Water District's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2017
- E. Pulled from Consent Calendar
- F. Consider Approval of Expanded Audit Test Work
- G. Pulled from Consent Calendar
- H. Pulled from Consent Calendar

ITEM PULLED FROM CONSENT CALENDAR

Acceptance of Retirement Medical Benefit Plan Update and Actuarial Valuation Results, and Authorization to Pay Required Contributions for Fiscal Years 2017-2018 and 2018-2019

With regard to Consent Calendar Item 3E *Acceptance of Retirement Medical Benefit Plan Update and Actuarial Valuation Results, and Authorization to Pay Required Contributions for Fiscal Years 2017-2018 and 2018-2019*, President Drake advised that he does not support the item and would like his “no” vote reflected accordingly.

MOTION: Director Plummer moved to accept the actuarial valuation report from GovInvest Precision Actuarial, Inc., as of December 31, 2017, as presented and authorize staff to pay annual required contributions of \$910,053 and \$956,604 for fiscal years ending June 30, 2018 and June 30, 2019 respectively. Director Herman seconded the motion, and it carried as follows:

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

Consider Adoption of Resolution to Approve the Rancho Division Purchasing Property from the Wastewater Division

Speaking on Consent Calendar Item 2G *Consider Adoption of Resolution to Approve the Rancho Division Purchasing Property from the Wastewater (WW) Division*, Director Martin advised that he is not in favor of approving the item based on an old appraisal. He expounded that although it had been reported that the sale would benefit the Wastewater Division, he would rather see it placed for public sale so that both the Rancho and WW Divisions profit.

President Drake concurred with Director Martin.

MOTION: Director Plummer moved to approve staff’s recommendation. Director Herman seconded the motion, and the resolution is titled:

Resolution No. 2018-4-1

Resolution of the Board of Directors of the Rancho California Water District, Riverside County, California, Transferring Real Property from the Wastewater Division to the Rancho Division

The motion carried by the following vote:

RESULT: **ADOPTED [4 TO 3]**
MOVER: William Plummer, Board Member
SECONDER: Lisa Herman, Board Member
AYES: Bill Wilson, Carol Lee Brady, Lisa Herman, William Plummer
NAYS: Bennett Drake, Angel Garcia, Danny Martin

Consider Denying Request in Disclosing of Certain Customer Data

Having received a request-to-speak form for this Agenda item, the Board of Directors heard comments from Steve Corona of the Upper Santa Margarita Lands Group (USMLG). Mr. Corona opened his comments by stating that he feels that Rancho

California Water District (RCWD/District) staff should have notified him when the subject item was originally presented at the March Engineering and Operations Committee meeting so that he could address the matter formally. He continued by providing a brief history and description of the USMLG and its membership criteria. He further stated following a conversation with a staff member, he clarified that he was not making an official request for information and that his discussion for information was misconstrued. He concluded by advising that irrigated acreage within District boundaries is not private information when the information is attained by the means of public funds.

Following public comment, discussion amongst the Board, staff, and legal counsel continued with respect to: requests submitted by the San Diego Regional Water Quality Control Board, types of customer information collected by the District, and protecting RCWD customer information.

Following discussion, Director Herman offered the following motion.

MOTION: It was moved by Director Herman and seconded by Director Martin to table the item until a formal request has been made. The motion carried as follows:

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

ITEM 3. ACTION ITEMS

A. Consider Approval of Issuance of Request for Proposals for the Vail Lake RV Resort

Addressing the Board of Directors (Board), Chief Engineer Andrew Webster announced that Rancho California Water District (RCWD/District) is proposing to issue a Request for Proposals (RFP) to lease a portion of the Vail Lake Properties, consisting of the Vail Lake RV Resort. Mr. Webster advised that discussion today provides an opportunity for the Board to provide any additional input, prior to the public release of the RFP.

By way of a PowerPoint presentation, Mr. Webster displayed the key steps timeline from RFP preparation to negotiations, as well as an aerial map delineating the Vail Property to be incorporated in the RFP, which includes the permitted use area, per the existing Conditional Use Permit (CUP).

Continuing, Mr. Webster shared the incorporated revisions into the RFP based on the direction and consensus received from the April 2018 Finance and Audit Committee meeting, as follows:

- Language regarding the conservative management approach used during the transition phase to a long-term lease.
- Added “equestrian activities” to the description of other trail activities.
- Clarified that the onsite wastewater treatment systems includes septic tanks and subsurface disposal systems.
- Request for submittal of a video tour of comparable facilities added.

- Clarified the request for both a 20-year and 40-year lease proposal to be used for evaluation purposes and that the actual lease term will be negotiated.
- Clarified the 30-minute presentation followed by additional time for question and answers.

At this time, President Drake advised that he was not in attendance at the FAC meeting and inquired on the option to include a package plant in lieu of septic, as well as clarifying what the total acreage area in the RFP included.

Next, lengthy discussion amongst the Board, staff, and legal counsel ensued with respect to: CUP defined acreage/use versus the plot plan area, proposers offering different options for use for the whole property, possibility of licensing rights to multiple vendors, maximizing the lease value of the property, lease proposal timeframe, lake access/marina use for the RV Park, and finalizing defined map and boundary descriptions.

Following discussion, legal counsel Jim Gilpin offered guidance to the Board and recommended that the RFP should identify a proposal timeframe for either a 20-year “or” a 40-year lease. He conveyed that requesting both lease terms could possibly deter potential proposers.

Inquiring on his professional opinion, Director Wilson asked Consultant Bob Mackinnon his thoughts on the lease term. Mr. Mackinnon concurred with legal counsel and stated that adding the word “or” is an advantageous strategy.

Following review and discussion, President Drake offered the following motion.

MOTION: It was moved by President Drake and seconded by Director Wilson to approve the Request for Proposals for the Vail Lake RV Resort with the caveat to add language for a 20 year “or” 40 year lease proposal, the total leased acreage to be revised to include the 4.63 acres, and cite a package plant option. The motion carried as follows:

RESULT: **APPROVED [5 TO 2]**
MOVER: Bennett Drake, President
SECONDER: Bill Wilson, Sr. Vice President
AYES: Drake, Wilson, Brady, Garcia, Plummer
NAYS: Lisa Herman, Danny Martin

B. Review of Draft Budget Document for Fiscal Year 2018-2019, Cost of Service Study for Fiscal Years 2018-2019 and 2019-2020, and Capital Facility Replacement Rate Options for the Santa Rosa Division

By way of a PowerPoint (PP) presentation, Assistant General Manager-CFO/Treasurer Rick Aragon provided the Board of Directors (Board) with an overview of the budget process, and prior Board actions thus far. He reported that at the Special meeting of March 26, 2018 the Board directed staff to reflect rate Option 1 for drafting the Proposition 218 Notice (Notice), Budget, and Cost of Service Study. Subsequently, the Finance and Audit Committee meeting, at its regular meeting of April 5, 2018, recommended the Board consider Option 3 for preparing the aforementioned documents. In addition, Mr. Aragon reported that certain Board members also

expressed interest in seeing an alternative option, which reflected a more balanced year-to-year increase than Option 3, yet address the long-term facility replacement needs more significantly than Option 1.

Speaking as to the remaining Board decisions, Mr. Aragon advised that a decision needs to be made whether to change the Notice to Options 2, 3, or 4 for the Capital Facility Replacement Rate Options for the Rancho California Water District (RCWD/District) Santa Rosa Division.

At this time, Mr. Aragon highlighted a PP slide that provided a detailed comparison of the rate scenarios as summarized in the chart below:

Average Bill Impacts - Capital Facility Replacement Rate Scenario Comparison				
	Option 1 - Baseline		Option 2	
	FY19	FY20	FY19	FY20
Santa Rosa				
Total Residential % Increase	3.3%	4.9%	3.9%	3.8%
Total Agricultural % Increase	4.9%	4.9%	6.3%	3.8%
Capital Repl. Rate Component per HCF	\$0.085	\$0.115	\$0.115	\$0.115
Total Cap. Repl. Revenue	\$850,000	\$1,170,000	\$1,155,000	\$1,170,000
Total Revenue (Both Years)	\$2,020,000		\$2,325,000	
Revenue Difference from Option 1	\$0		\$305,000	
	Option 3		Option 4	
	FY19	FY20	FY19	FY20
Santa Rosa				
Total Residential % Increase	3.9%	4.8%	3.5%	5.4%
Total Agricultural % Increase	6.3%	4.8%	5.3%	5.4%
Capital Repl. Rate Component per HCF	\$0.115	\$0.145	\$0.100	\$0.145
Total Cap. Repl. Revenue	\$1,155,000	\$1,476,000	\$1,004,000	\$1,476,000
Total Revenue (Both Years)	\$2,631,000		\$2,480,000	
Revenue Difference from Option 1	\$611,000		\$460,000	

Referencing the chart, Mr. Aragon expounded that Option 4 would generate an additional \$460 thousand for capital facility replacement needs over Option 1, and has a more balanced average bill impact to RCWD agriculture customers.

President Drake opined that the District should consider selling off some real estate holding to mitigate any rate increases; however, acknowledged his support for Option 1. Director Plummer stated his agreement with Option 3, yet prefers the smoother rate increases for the District's agriculture customer in Option 4.

Having received a request-to-speak form, President Drake invited Steve Corona to address the Board on the Agenda item. Mr. Corona addressed the Board to inquire on the \$1.6 million revenue requirement outlined in the Raftelis Financial Consultants report and the financial breakdown of responsibility between the waste initiators versus reclaimed water customers.

Responding, General Manager Jeff Armstrong explained that the allocation follows the

three-step treatment process with the primary and secondary phase directed to the waste initiators and the tertiary treatment process responsibility on the reclaimed customers.

Next, Director Brady advised that she too would not like to see a rate increase; however, following staff's review of the rate options and with the need to restore the financial health in the Santa Rosa Division, Option 1 would be the best choice.

At this time, Mr. Aragon explained that the Santa Rosa Division has reached the point where it is handicapping the Rancho Division for all of the matters in which the Divisions have to share costs. He conveyed that this relates to the District's most expensive capital projects such as wells and well rehabilitation and the Santa Rosa Division has to pay for its fair share of the costs. He further added that while Option 1 provides a stable cash level, Option 4 helps to incrementally build cash level stability for the future.

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

MOTION: Director Plummer moved to amend the Proposition 218 notice, draft Fiscal Year 2018-2019 Operating and Non-Operating Budgets, and draft Cost of Service Study to reflect Option 4, to bring back for final approval at the June 14, 2018 public hearing. Director Wilson seconded the motion, and it carried as follows:

RESULT: **APPROVED [4 TO 3]**

MOVER: William Plummer, Board Member

SECONDER: Bill Wilson, Sr. Vice President

AYES: Bill Wilson, Carol Lee Brady, Lisa Herman, William Plummer

NAYS: Bennett Drake, Angel Garcia, Danny Martin

C. Consider Adoption of Resolution Announcing the District's Intent to Adopt at Its June 14, 2018 Regular Meeting a Budget, Fees, and Assessments for Fiscal Year 2018-2019; Rates and Charges for Fiscal Years 2018-2019 and 2019-2020; and Notice of a Public Hearing

Presented for review and consideration was a draft resolution announcing the intent of the Board of Directors of the Rancho California Water District (District) to hold a public hearing on June 14, 2018 at 8:30 AM, at the administrative headquarters of the District, located at 42135 Winchester Road, Temecula, California, to consider resolutions adopting a budget, rates, and assessments for Fiscal Year (FY) 2018-2019 and rates and charges for FYs 2018-2019 and 2019-2020.

MOTION: It was moved by Director Herman and seconded by Director Wilson to adopt the appropriate resolution titled:

Resolution No. 2014-4-2

Resolution of the Board of Directors of the Rancho California Water District, Riverside County, California, Announcing its Intent to Adopt a Budget, Rates, and Assessments for Fiscal Year 2018-2019; Adopt Rates and Charges for Fiscal Years 2018-2019 and 2019-2020; and Noticing a Public Hearing

The motion carried by the following vote:

RESULT: **ADOPTED [5 TO 2]**
MOVER: Lisa Herman, Board Member
SECONDER: Bill Wilson, Sr. Vice President
AYES: Wilson, Brady, Garcia, Herman, Plummer
NAYS: Bennett Drake, Danny Martin

D. Consider Revisions to CropSWAP Program Framework

Utilizing a PowerPoint presentation, Senior Water Resources Planner Justin Haessly addressed the Board of Directors (Board), to report on staff's recommended modifications to Rancho California Water District's (RCWD/District) CropSWAP Program (Program).

Mr. Haessly reported that the District is approximately one-third of the way finished with completing the requirements of the Program, as per the terms of grant funding agreements it executed with the United States Bureau of Reclamation and the Department of Water Resources. However, Mr. Haessly advised that nearly 50 percent of the period during which the District is required to complete the Program has elapsed. As such, he expounded that staff's recommended changes are intended to stimulate customer participation in the Program by relaxing eligibility requirements relating to minimum conversion acreage and history of irrigation prior to Program participation, whereby opening the Program to a larger number of customers.

Reviewing staff's Alternative 1, Mr. Haessly explained that what staff is recommending is to reduce the acreage requirement from three to two and to replace the 12-month irrigation requirement with a requirement that the existing crop must have not been removed and the irrigation system must be intact, as this would give staff more flexibility in approving projects. He further explained that the only real change staff has made to the language since the March 2018 Planning and Administration Committee meeting was to add language, which basically states that it's up to the District to decide whether or not a proposed conversion project meets Program eligibility requirements.

Next, Mr. Haessly reviewed Alternative 2 and reported that it is the same as Alternative 1 in terms of relaxing the eligibility requirements and a reduction in the acreage requirement from three to two, yet the applicant is not required to have irrigated within the 12-month period prior to conversion. With Alternative 2, he conveyed that if the crop has not been irrigated within the last 12 months, the applicants' water savings requirement goes up—applicant is required if they haven't irrigated within the last 12 months to convert to a crop that saves at least two acre-feet/acre instead of just one. Mr. Haessly advised that the idea is that RCWD would be relaxing the eligibility requirements while at the same time purchasing an insurance policy that prevents some of the higher water-use options for these properties like planting avocados or citrus, and locking in the lowest water demand possible on the property for a period of 10 years. Citing an example, Mr. Haessly explained that, should an avocado grower apply and has had a crop that was still in the ground with an irrigation system intact but hadn't watered for over a year, they would be limited to planting something less water demanding like olives or grapes.

President Drake interjected and opined that two acres is not considered sufficient acreage for participation in an agricultural-based Program.

Director Plummer stated his concerns with not being able to meet the grant provisions and it potentially impairing the District's chances of being passed over for future grant requests due to lack of completion.

At this time, discussion ensued amongst the Board and staff regarding amendments to the grant being only for agriculture use, marketing and outreach following Program modifications, contractor inspection, and final approval.

Following discussion, Director Garcia offered the following recommendation.

MOTION: Director Garcia moved to approve Alternative 2 to incorporate into RCWD's CropSWAP Program Framework related to customer eligibility requirements relating to minimum conversion acreage and history of irrigation prior to Program participation. Director Martin seconded the motion, and it carried as follows:

RESULT: **APPROVED [5 TO 2]**

MOVER: Angel Garcia, Board Member

SECONDER: Danny Martin, Board Member

AYES: Wilson, Brady, Garcia, Martin, Plummer

NAYS: Bennett Drake, Lisa Herman

ITEM 4. INFORMATION ITEMS

There was no discussion on the following items:

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

ITEM 5. EXECUTIVE REPORTS

A. General Counsel's Report

General Counsel Jim Gilpin referenced a handout provided to the Board of Directors (Board) at the meeting concerning prohibited mass mailings under Sections 89001-89003 of the Political Reform Act. Said Act prohibits certain mass mailings sent at public expense, which feature public officials such as members of the Board.

B. General Manager's Report

General Manager Jeff Armstrong provided a brief update on an item that will appear on the April Planning and Administration Committee agenda concerning insurance provider Anthem Blue Cross.

Next, Mr. Armstrong highlighted the successful attendance at the March 28 Agriculture Manager's meeting held in Rancho California Water District's Board room and the recent Metropolitan Water District of Southern California vote for Option 2 related to the California WaterFix and the funding of \$10.8 million.

Director Bill Wilson left the meeting at 11:16 AM.

C. Board Members' Comments and Reports

Directors Plummer and Herman commented on their attendance at the Second Annual Agricultural Water Summit. Director Herman noted her disappointment in the lack of guest attendance and some of the panel speakers.

Director Brady noted her attendance, along with Director Martins, in attending the very educational Colorado River Tour.

President Drake commented on his renewal with the State Board of Food and Agriculture.

There being no further Board member comments, President Drake announced a 5-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 - PENDING LITIGATION - (Per Government Code Section 54956.9 (a)) Rancho California Water District vs. Linda R. Davis, Trustee of the Linda R. Davis Family Income Trust, U/A Dated 01/01/1997; Southern California Addiction Center, Case No. MCC1800189**
- 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**

The Board reconvened in open session at 11:33 AM., whereby General Counsel Jim Gilpin announced that there were no reportable actions.

ITEM 7. ADJOURN TO THURSDAY, MAY 17, 2018 AT 8:30 AM

There being no further business to come before the Board of Directors, the meeting adjourned at 11:33 AM.