

**FALLBROOK PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
REGULAR BOARD MEETING**

MINUTES

MONDAY, SEPTEMBER 25, 2017
4:00 p.m.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125

I. PRELIMINARY FUNCTIONS

CALL TO ORDER

President Wolk called the Regular Meeting of the Board of Directors of the Fallbrook Public Utility District to order at 4:00 p.m. President Wolk read the following statement into the record:

"Prior to roll call, I would like to make clear for the record of this meeting, and it should be reflected in the minutes, that at least a portion of this meeting of the Fallbrook Public Utility District is being conducted pursuant to California Government Code Section 54953, in that Director Davies is participating by teleconference from the Cedar City Public Library, West Meeting Room, 303 N. 100 E., Cedar City, Utah 84721. Director Davies is participating by speakerphone. In accordance with the Ralph M. Brown Act, the teleconference location was identified in the notice and agenda for this meeting."

ROLL CALL / ESTABLISH A QUORUM

President Wolk conducted attendance by roll call. Directors DeMeo, Gebhart, McDougal, and Wolk were present at the meeting, and Director Davies was present by speakerphone at the teleconference location identified on the notice and agenda.

The members of the Board of Directors acknowledged they were able to hear Director Davies clearly and no member expressed doubt that Director Davies was the party participating by teleconference.

Board of Directors

Present: Milt Davies, Member (*via teleconference*)
Jennifer DeMeo, Member
Al Gebhart, Member / Vice-President
Don McDougal, Member
Charley Wolk, Member / President

Absent: None

District Staff

Present: Paula de Sousa Mills, General Legal Counsel
Jack Bebee, Assistant General Manager / Acting General Manager
Mick Cothran, Drought Management Coordinator
Noelle Denke, Public Affairs Specialist
Jeff Marchand, Engineering Supervisor
David Shank, Assistant General Manager / Chief Financial Officer
Mary Lou West, Secretary

Also present were others, including, but not limited to: Helene Brazier; Dan Coxe; Donna Gebhart; Zachary Kantor-Anaya of The Wildlands Conservancy; Archie and Patricia McPhee; and Maureen Stapleton, General Manager of the San Diego County Water Authority.

PLEDGE OF ALLEGIANCE

President Wolk led the Pledge of Allegiance.

ADDITIONS TO AGENDA PER GC § 54954.2(b)

There were no additions to the agenda.

APPROVAL OF AGENDA

MOTION: Director McDougal moved to approve the agenda as presented; Director DeMeo seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, DeMeo, Gebhart, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: None

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

There were no members of the public who wished to speak during Public Comment concerning items not listed on the agenda.

II. **CONSENT CALENDAR**-----**(ITEM A)**

All items appearing on the Consent Calendar may be disposed of by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors or the public requests removal prior to a vote on a motion to

approve the items. Such items shall be considered separately for action by the Board.

A. APPROVAL OF MINUTES

1. Regular Board Meeting of August 28, 2017

Recommendation: The Board approve the minutes of the aforementioned meeting of the Board of Directors of the Fallbrook Public Utility District.

MOTION: Director McDougal moved to approve the Consent Calendar as presented; Director Gebhart seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, DeMeo, Gebhart, McDougal, and Wolk

NOES: None

ABSTAIN: None

ABSENT: None

III. **INFORMATION**-----**(ITEMS B-C)**

B. INTRODUCTION OF NEW ASSISTANT GENERAL MANAGER / CHIEF FINANCIAL OFFICER

Presented by: Jack Bebee, Acting General Manager

Mr. Bebee introduced Assistant General Manager / Chief Financial Officer David Shank to the Board of Directors. Mr. Bebee invited the Directors to schedule a time to meet with Mr. Shank through the board secretary.

C. SAN DIEGO COUNTY WATER AUTHORITY ISSUES UPDATE

- END TO THE MULTI-YEAR DROUGHT
- MWD RATE CASE
- FINANCIAL PRACTICES OF MWD AND THE RISK TO SOUTHERN CALIFORNIA RATEPAYERS

Presented by: Maureen A. Stapleton, General Manager of the San Diego County Water Authority

President Wolk welcomed San Diego County Water Authority (CWA) General Manager Maureen A. Stapleton and invited her to the podium.

Mrs. Stapleton stepped to the podium and stated she would provide an update on three issues of importance to the San Diego County Water Authority. Mrs. Stapleton's slide show presentation provided an overview of (1) the end to the multi-year drought, (2) the status of the CWA litigation with the Metropolitan Water District of

Southern California (MWD), and (3) the financial practices of MWD affecting the CWA and its member agencies.

Following the presentation, Mrs. Stapleton requested the Board consider adopting a resolution, or writing a letter, in support of the continuing efforts of the CWA to protect ratepayers from MWD activities and its financial practices.

President Wolk thanked Mrs. Stapleton for the presentation, and Mrs. Stapleton offered to provide sample resolutions for Board consideration.

IV. ACTION / DISCUSSION CALENDAR ----- (ITEMS D–G)

D. CLAIM FOR PROPERTY DAMAGE AND LOSS

Recommendation: That the Board deny the Claim for property damages and loss by Mr. Fenton for water loss and repairs to his grove road and irrigation equipment, and that staff forward the Claim to the Association of California Water Agencies Joint Powers Insurance Authority for resolution.

Mr. Bebee reported that Mr. Fenton claimed weekly maintenance at a nearby pressure-reducing station caused a surge in water pressure that broke his 2-inch main and resulted in water loss and damage to his irrigation equipment and grove road. Upon inspection, staff determined that Mr. Fenton's pressure regulator located on his side of the meter was not functioning likely causing the damages claimed.

MOTION: Director McDougal moved to deny the Claim for property damages and loss by Mr. Fenton for water loss and repairs to his grove road and irrigation equipment and for staff to forward the Claim to the Association of California Water Agencies Joint Powers Insurance Authority for resolution; Director DeMeo seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, DeMeo, Gebhart, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: None

E. SANTA MARGARITA PROPERTY REQUEST FOR PROPOSALS FOR SALE, TRANSFER OR OTHER ARRANGEMENT

Recommendation: That the Board affirm the recommendation from the Water Resources Committee to issue the Notice to Potential Interested Parties for Sale, Transfer or Other Arrangement for the Santa Margarita River property.

At the invitation of President Wolk, Donna Gebhart stepped to the podium on behalf of The Fallbrook Trails Council. Mrs. Gebhart provided the following update on the Santa Margarita River property:

- The Santa Margarita River property was included in SB 5 for \$10 million.
- The Fallbrook Trails Council consulted Attorney Wayne Brechtel relative to a trails easement. Mr. Brechtel advised a management plan would be required and should be attached to the trails easement.
- The Wildlands Conservancy has been working on the integration of the easement and management plan, and they would like to present an update of their efforts to the Board of Directors at a future Board meeting.

Mr. Bebee reported the Water Resources Committee (WRC) is recommending a Request for Proposals (RFP) be issued for the sale, transfer, or other arrangement for the Santa Margarita River property; and if the recommendation is approved by the Board, the RFP will be advertised and proposers will have until January 15, 2018, to respond. Following the deadline, the WRC will review the proposals and evaluate options moving forward.

President Wolk noted the intent of the Water Resources Committee was to explore all options for the Santa Margarita River property, including the goals of the District and the community for the trails.

Vice-President Gebhart pointed out the RFP includes conditions for the trails.

Mrs. de Sousa Mills reiterated the RFP provides the Board of Directors the broadest ability to determine what opportunities are available to the District before it makes a decision to declare the property surplus. If the Board moves forward with a purchase and sale, the District would have to go through the surplus property process, as disclosed in the RFP.

MOTION: Director McDougal moved to approve the recommendation of the Water Resources Committee to issue the Notice to Potential Interested Parties for Sale, Transfer or Other Arrangement for the Santa Margarita River property; Director Gebhart seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors DeMeo, Gebhart, McDougal, and Wolk

NOES: Director Davies

ABSTAIN: None

ABSENT: None

F. RECOMMENDATION FROM THE FISCAL POLICY & INSURANCE COMMITTEE ON THE ON-TIME PAYMENT DISCOUNT

Recommendation: That the Board affirm the recommendation from the Fiscal Policy & Insurance Committee to remove the on-time discount to maintain long-term rate stability based on the results of the rate study.

Vice-President Gebhart reported that while working with Raffelis on developing the rate study and financial plan for the District, the Fiscal Policy & Insurance Committee determined the on-time discount should be discontinued to maintain long-term rate stability moving forward.

President Wolk pointed out the change would stop the discount for on-time payments.

Vice-President Gebhart explained that providing a \$5 discount for paying on time costs the District approximately \$300,000 to \$400,000 per year. The additional capital will contribute to rate stabilization and replacing aging infrastructure.

President Wolk noted that public outreach efforts are currently taking place, and are ongoing, to notify customers of the proposed changes and the dates of workshops, meetings, and the public hearing relative to the new rate structure.

MOTION: Vice-President Gebhart moved to affirm the recommendation of the Fiscal Policy & Insurance Committee to remove the on-time discount effective January 1, 2018, subject to board-approval of the new rate structure; Director McDougal seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, Gebhart, McDougal, and Wolk
NOES: Director DeMeo
ABSTAIN: None
ABSENT: None

G. BALLOT FOR ACWA REGION 10 BOARD ELECTION FOR THE 2018-2019 TERM

Recommendation: That the Board direct and authorize the Acting General Manager to cast its vote electronically for the slate recommended by the Region 10 Nominating Committee. Since all Nominees are included in the Committee's recommended slate, choosing to cast individual nominations would only be if the District did not want to vote for someone in the recommended slate.

Mr. Bebee noted the two options for casting the District's vote in the ACWA Region 10 Board Election for the 2018-19 term: (1) the slate recommended by the Region 10 Nominating Committee or (2) for specific individuals, which would just exclude some individuals in the slate.

MOTION: Director Davies moved to direct and authorize the Acting General Manager to cast the Board's vote electronically for the slate recommended by the Region 10 Nominating Committee; Director McDougal seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, DeMeo, Gebhart, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: None

H. RECRUITMENT FOR NEW DISTRICT GENERAL MANAGER

Recommendation: That the Board authorize the Human Resources Manager to secure services of an outside service to assist the Board with hiring a new District General Manager at not-to-exceed \$30,000 or authorize the Human Resources Manager to directly advertise the position and coordinate screening of applications with the Board due to the retirement of the General Manager on January 12, 2018.

President Wolk reiterated that due to the approaching retirement of the General Manager, the Board must choose to either secure the services of an executive recruitment firm or use the Human Resources Manager to recruit candidates for the position. President Wolk suggested the Board President be involved in the process and work with either the recruiting firm or the Human Resources Manager to provide fairness and protect staff.

MOTION: Director McDougal moved the Human Resources Manager evaluate the options available for recruitment of a General Manager and return to the Board with the findings. The motion failed for lack of a second.

Director Davies expressed support of securing the services of an executive recruitment firm.

MOTION: Director Davies moved to secure the services of an executive recruitment firm not to exceed \$30,000, preferably Bob Murray & Associates; Vice-President Gebhart seconded.

Director McDougal expressed a preference for the Board taking 60-to-90 days internally to evaluate other options before spending \$30,000 on an executive recruitment firm. Brief discussion ensued, and Director McDougal suggested the matter be tabled for discussion in Closed Session.

Mrs. de Sousa Mills stated the matter could be discussed in Closed Session but was not listed on the agenda, which would prevent discussion in Closed Session today.

Vice-President Gebhart suggested postponing the item to a Special Board Meeting for discussion in Closed Session.

Director Davies withdrew his motion, and Vice-President Gebhart withdrew his second. The Board directed staff to schedule a Special Board Meeting for the General Manager recruitment process.

President Wolk announced he received a Request to Speak from Dan Coxe after the time specified on the agenda for Public Comment and invited Mr. Coxe to the podium.

Mr. Coxe stepped to the podium and identified himself as a grove owner in De Luz Heights. Mr. Coxe stated he received a letter concerning the proposed rate increases, but the letter did not provide a notice of a public hearing. Mr. Coxe asked if a public hearing was scheduled.

Mr. Bebee explained the District held two informational meetings to provide the public an opportunity to ask questions about the proposed rate increases and added the Prop 218 notice, which will be mailed next week, includes the hearing date.

Mr. Coxe asked about the process to challenge the rate increases.

Mrs. de Sousa Mills stated the process and requirements for protesting are set forth in the Prop 218 *Notice of Public Hearing*, and protests must in writing.

V. ORAL / WRITTEN REPORTS------(ITEMS 1-7)

1. General Legal Counsel

- Mrs. de Sousa Mills provided an update of legislation affecting water districts.

2. SDCWA Representative

- President Wolk noted the SDCWA Representative's report is included in the board packet.

3. Acting General Manager

- Working with the Assistant General Manager / Chief Financial Officer on making improvements to the financial reports and providing detailed analysis of reports to the Board.
- A report that summarizes key priorities of the Acting General Manager during the interim period was included in the board packet.

- Over the weekend, a leak occurred on Old Stage that resulted in road closures and approximately 50 people without water. Projects will be reprioritized to replace the line.
- The next Village News ad will focus on infrastructure projects.
- The audit of Jackie Heyneman Park's water usage is underway, and there has been discussion of imposing water budgets on community benefit entities that receive discounted water.

4. Public Affairs Specialist

- Wrote and mailed targeted letters to specific rate groups, informing them of the upcoming rate changes.
- Organized and did outreach for two public meetings in September on rate changes.
- Coordinated training for staff with Jim Turner of WaterSmart, having him fly down from San Francisco, to show how the AMI integration will benefit customers.
- Wrote ad/mini newsletter for The Village News on water, sewer and capital improvement projects.
- Wrote press release on rate changes.
- President Wolk commended Mrs. Denke for her article that appeared on the front page of the Village News "above the fold."

5. Notice of Approval of Per Diem for Meetings Attended

6. Director Comments/Reports on Meetings Attended

- Director DeMeo reported attending the Council of Water Utilities meeting and a two-day State Water Project / Bay-Delta Inspection Tour sponsored by the MWD and hosted by the SDCWA.

7. Log of Board Requests

ADJOURN TO CLOSED SESSION

MOTION: Director McDougal moved to adjourn to Closed Session for Items VI. 1., 2., and 3., all as stated on the agenda; Director DeMeo seconded. Motion carried; ROLL CALL VOTE:

AYES: Directors Davies, DeMeo, Gebhart, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: None

Following Director McDougal's reading aloud of Closed Session Items VI., 1., 2., and 3., the Board adjourned to Closed Session at 5:32 p.m.

VI. CLOSED SESSION

1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS PER GC § 54956.8:
PROPERTY: 1492 NORTH STAGECOACH LANE, FALLBROOK, CA
AGENCY NEGOTIATORS: JACK BEBEE, JEFF MARCHAND
NEGOTIATING PARTIES: BRUCE E. SCHWANDT, TRACEY L. SCHWANDT
UNDER NEGOTIATION: TERMS
2. CONFERENCE WITH LEGAL COUNSEL – SIGNIFICANT EXPOSURE TO LITIGATION PER GC § 54956.9 (d)(2):
ONE (1) POTENTIAL CLAIM: EDWARD N. LUEKING/FALLBROOK CAR WASH, LLC
3. CONFERENCE WITH LABOR NEGOTIATORS PER GC § 54957.6:
AGENCY DESIGNATED NEGOTIATORS: BOARD OF DIRECTORS
UNREPRESENTED EMPLOYEE: ACTING GENERAL MANAGER

RECONVENE TO OPEN SESSION

The Board returned from Closed Session and reconvened to Open Session at 6:12 p.m.

REPORT FROM CLOSED SESSION (As Necessary)

As to Closed Session Agenda Item VI., 2., by Motion of Vice-President Gebhart, Seconded by Director McDougal, the Board unanimously rejected the Claim submitted by Edward N. Lueking / Fallbrook Car Wash.

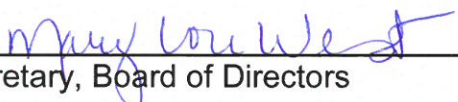
VII. ADJOURNMENT OF MEETING

There being no further business to discuss, President Wolk adjourned the Regular Meeting of the Board of Directors of the Fallbrook Public Utility District at 6:13 p.m.



President, Board of Directors

ATTEST:



Secretary, Board of Directors