

**MINUTES OF THE SPECIAL JOINT MEETING OF THE
CITIZENS' ADVISORY COMMITTEE AND THE
COMMUNITY RELATIONS BOARD OF DIRECTORS
OF THE MOULTON NIGUEL WATER DISTRICT**

FEBRUARY 9, 2011

A Special Joint Meeting of the Citizens' Advisory Committee and the Community Relations Board of the Moulton Niguel Water District was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 9:00 a.m. on Wednesday, February 9, 2011. There were present and participating:

DIRECTORS

SCOTT COLTON	Chairman
RICHARD S. FIORE	Director
DON FROELICH	Vice President
GARY R. KURTZ	Director
LARRY MCKENNEY	President
BRIAN PROBOLSKY	Vice President

Also present and participating were:

STAFF MEMBERS

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
CHARLES J. ROY	Director of Customer Service
LESLIE GRAY	MNWD
ROBYN EPPSTEIN	MNWD
TAMMY CUTRIGHT	MNWD
GREGG HOOPER	MNWD
RHONDA HIMLEY	MNWD

PUBLIC MEMBERS

GLORIA J. KIMMEL	Citizens' Advisory Committee
JEANETTE KREMBAS	Citizens' Advisory Committee
BETTY PEQUET	Citizens' Advisory Committee
HOWARD REVIER	Citizens' Advisory Committee
RON LANGER	Citizens' Advisory Committee
KAREN LANGER	Citizens' Advisory Committee
RICHARD SAGER	Citizens' Advisory Committee
STU LUCE	Citizens' Advisory Committee
CARL NELSON	Citizens' Advisory Committee
MAKAM SUBBARAO	Citizens' Advisory Committee

PUBLIC MEMBERS

STEVE VALENTA	Citizens' Advisory Committee
FRED WEND	Citizens' Advisory Committee
SANDY HUNTER	Citizens' Advisory Committee
JUDY SKRABA	Citizens' Advisory Committee
DON SKRABA	Citizens' Advisory Committee
MIKE WHIPPLE	Citizens' Advisory Committee

Absent was:

LARRY R. LIZOTTE Director

Chairman Scott Colton called the meeting to order and Frani Bailey recorded the minutes thereof.

CITIZENS' ADVISORY COMMITTEE MATTERS

Public Comments

Chairman Colton asked if there were any public comments. He asked that those having comments on the Water Budget Based Rate Structure (WBBRS) hold their comments until after Mr. Charles Roy makes his presentation. Hearing no public comments, Chairman Colton closed the public comments portion of the meeting.

Approve Minutes of the October 8, 2010 Citizens' Advisory Committee Meeting

Chairman Colton reported that he would entertain a motion to approve the minutes of the October 8, 2010 Citizens' Advisory Committee (CAC) meeting.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR KURTZ, THE MINUTES OF THE OCTOBER 8, 2010 CITIZENS' ADVISORY COMMITTEE MEETING WERE APPROVED AS PRESENTED BY THE FOLLOWING VOTE: AYES: DIRECTORS FROELICH, FIORE, KURTZ, MCKENNEY, AND PROBOLSKY, NOES: NONE; ABSTAIN: DIRECTOR COLTON.

Water Budget Based Rate Structure (WBBRS)

Chairman Colton reported that the WBBRS would be discussed in detail today and there will be an opportunity for the Board and staff to receive comments from the members of the

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CAC in attendance today. He invited Mr. Charles Roy, Director of Customer Service, to make his presentation.

Mr. Roy commented that the Board and staff feel it is important for the CAC members to completely understand the WBBRS so they can help support it, explain it to their neighbors and homeowners' associations, and understand that water efficiency means lower water rates.

Mr. Roy explained what a Water Budget Based Rate Structure is, why the District is implementing it, and what the overall impact of the new rate structure would be on the District's customers. He explained the educational outreach efforts the District will implement prior to the implementation of the WBBRS, the variance procedures the District has in place, and the manner in which each customer's parcel was measured to determine the amount of landscaped acreage. Following his presentation Mr. Roy offered to answer the CAC members' questions.

One of the CAC members expressed concern that the parcels were measured accurately and Mr. Roy and Dr. Gumerman explained the process District staff used to ensure that each parcel was individually and accurately measured. President McKenney commented that the District's process allows any customer to contact the District if he or she feels that his or her parcel was incorrectly measured. A question arose as to why the District would not just give the money from the penalty tiers back to the ratepayers rather than have rebates if the new rate structure is revenue neutral. President McKenney commented that the District is using the money from the customers who use water excessively to help them become more efficient. He commented that in order to tie the rates to the cost of service the District wants to create a nexus between the penalty tier revenues created and using it for water use efficiency.

A question arose about the micro zones and Mr. Roy explained that the District is using 110 different micro zones to ensure that each customer will receive the right amount of water for his or her property. Director Froelich asked if the allocation would be based on the weather and Mr. Roy explained that the allocation would be adjusted on a monthly basis for residential customers and bi-monthly for commercial customers based on the ET factor for the time of year. One of the CAC members asked what impact it would have on District staff to contact the

approximately 15% of customers that would be in the penalty phases prior to the time the WBBRS is implemented. President McKenney complimented Mr. Roy on the effort he has expended to train his staff and Mr. Roy elaborated on the numerous training sessions he has conducted with the Customer Service, Billing, and Water Conservation staff members that will be assisting him in contacting the customers that might be over their allocations. He commented that some of the staff members have obtained their Water Practitioner licenses and received education in helping the customers, and although it will be a tough four or five months, he is confident that he and his staff are prepared. Further discussion ensued and Mr. Roy answered the CAC members' questions. Dr. Gumerman reported that subsequent to the implementation of the WBBRS if a customer calls regarding his or her bill being substantially higher staff will look into it, and if there was an error made in the allocation it will be corrected retroactively for at least two billing cycles.

President McKenney commented that he appreciates the questions and comments from the CAC members because they help the Board determine what needs to be addressed. He commented that the District wants the CAC to be good advocates and accurate sources of information for the WBBRS to their neighbors and community. President McKenney elaborated on several inaccurate comments he has heard with regard to the reasons that the District is considering the WBBRS. He gave the CAC members some talking points they can use when they discuss the WBBRS with their neighbors and friends:

- Although it has been a wet winter we are not out of the water efficiency woods.
- The District's costs for importing water are increasing, as are energy costs, treatment costs, and regulatory costs, which are completely separate from the District's costs of operations and control.
- The WBBRS is better because it bases the water rates on efficiency; not on how much water a customer uses.
- The water budgets are technically rigorous but generous, and people who are reasonably efficient will have no trouble staying within the lower tiers.

- The WBBRS is intended to be revenue neutral for the overall District.
- The WBBRS has been in place in a number of Districts around the state for many years.

One of the CAC members suggested that President McKenney's talking points be summarized and given to the CAC members to assist them in explaining the WBBRS. President McKenney reported that Mr. Roy would see that this is done and would send the talking points to the CAC members. Mr. Roy reported that there is Q&A literature on the table for the CAC members to take with them.

Chairman Colton asked if there were any further questions. Hearing none, he thanked the CAC members for their participation and input.

The Board took a brief recess and Chairman Colton called to order the Community Relations Board meeting.

COMMUNITY RELATIONS BOARD MATTERS

Approve Minutes of the December 8, 2010 Special Joint Meeting of the Rate

Review/Community Relations Board of Directors Meeting

Chairman Colton reported that he would entertain a motion to approve the minutes of the December 8, 2010 Special Joint Meeting of the Rate Review/Community Relations Board of Directors meeting.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR KURTZ, THE MINUTES OF THE DECEMBER 8, 2010 SPECIAL JOINT MEETING OF THE RATE REVIEW/COMMUNITY RELATIONS BOARD OF DIRECTORS WERE APPROVED AS PRESENTED.

Change in Schedule of Regularly Scheduled Board Meetings

Chairman Colton commented that with the new meeting schedule the Board will reduce the number of Board meetings from 50 meetings a year to 48 meetings a year. He reported that the proposed schedule of meetings, to be effective at the end of February 2011, is as follows:

1. Community Relations to be held quarterly (commencing March) on the 2nd Wednesday at 9:00 a.m.
2. Investment to be held quarterly (commencing April) on the 2nd Wednesday at 9:00 a.m.
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3. Personnel & Salary to be held quarterly (commencing May) on the 2nd Wednesday at 9:00 a.m.
4. Engineering to be held on the Monday prior to the Board meeting (commencing March) of every month at 9:00 a.m.

Dr. Gumerman reported that the Community Relations, Investment, and Personnel & Salary meetings may not always be on the 2nd Wednesday and Ms. Leslie Gray reported that in September and December the meetings will be held on the 1st Wednesday of the month. Dr. Gumerman clarified that the three meetings would be held on the Wednesday of the week before the third Thursday of the month. Further discussion ensued as to the specific day of each meeting and Director Fiore commented that the Resolution should be redrafted for clarification. President McKenney reported that staff will change the Resolution to read that the Engineering Board meeting will be the Monday preceding the Board meeting and that the Community Relations, Investment, and Personnel & Salary meetings will be the Wednesday of the week preceding the Board meeting.

Chairman Colton asked if there was any further discussion on this matter and there was none.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR MCKENNEY AND SECONDED BY DIRECTOR FIORE, THE BOARD OF DIRECTORS ADOPTED RESOLUTION NO. 11-02 ENTITLED "RESOLUTION OF THE BOARD OF DIRECTORS OF MOULTON NIGUEL WATER DISTRICT CHANGING THE SCHEDULE OF THE REGULARLY SCHEDULED BOARD MEETINGS."

Educational Outreach

Mr. Roy reviewed the educational outreach activities. He reported that the District is notifying its customers about the Diemer Plant shutdown commencing on February 27, 2011 through March 6, 2011. Mr. Roy reported that the Distribution Department has requested that the water use in the District be reduced further during the shutdown, which will necessitate turning off the irrigation meters and sending notices to the customers asking for an additional reduction in water usage. He reported that the District will rely on additional water from neighboring

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districts and the water stored in its reservoirs to provide water to the customers during the shutdown and staff is confident that it can handle the shutdown.

Director Probolsky left at 10:50 a.m.

Mr. Roy reviewed some of the other educational outreach efforts including the District's 50th anniversary photo tour and various articles about the District in the media. He reported that last year the District was a 20% sponsor of Santa Margarita Water District's (SMWD) Water Awareness Day and he is currently working with SMWD's staff to plan for the District's participation in this year's Water Awareness Day. Director Fiore asked what the date of the Water Awareness Day is and Mr. Roy reported that the tentative date is May 14, 2011, and he would let the Board members know as soon as the date is confirmed.

Mr. Roy reported that the District would hold three California-Friendly Landscape Workshops at the Field Operations Facility on March 19, April 9, and May 7, 2011. He reported that the rate calculator has been added to the website and staff has received positive feedback from the customers. Mr. Roy reported that since he and Ms. Eppstein redesigned the website in 2009 the total hits have increased by 50% and the time spent by customers on the website has increased 100%.

January and February *WaterLines*

Mr. Roy reported that the January and February *WaterLines* were included in the agenda packet.

Discussion of March and April *WaterLines* Topics

Mr. Roy reviewed the list of proposed topics for the March and April issues of *WaterLines*, including the WBBRS, the Diemer Plant shutdown, water shortage/snow pack, Water Awareness Day, employee spotlight story, California-Friendly landscape workshops, and the plant of the month. The Board discussed the topics and provided Mr. Roy with their comments and suggestions.

Mr. Roy reported that with regard to the public hearing on the WBBRS on February 23, 2011, if the number of attendees exceeds the occupancy of the Board Room it will be necessary

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to continue the public hearing to another date and venue that will accommodate more people. He reported that Ms. Giannone informed him that if that were to occur, she would call for a continuance of the public hearing and the Board would need to be prepared to announce the time and place of the public hearing at that time. Mr. Roy reported that if the Board were unable to announce the date and place at which the public hearing would be continued, it would be necessary to reissue the 218 Notice.

Mr. Roy reported that he has tentatively reserved the City of Laguna Niguel Council Chambers, which holds 183 people, and the Laguna Hills Community Center, which can hold 500+ people for Friday, February 25, 2011 at 6:00 p.m., Saturday, February 26, 2011 at 1:00 p.m., and Monday, February 28, 2011 at 6:00 p.m. The Board discussed the available dates and venues and determined that if it is necessary to continue the public hearing it would be continued to Monday, February 28, 2011 at 6:00 p.m. at the City of Laguna Niguel Council Chambers. President McKenney asked Mr. Roy to also hold the reservation at the Laguna Hills Community Center on February 28, 2011 in case there is a larger crowd than expected on February 23, 2011.

ADJOURNMENT

THEREAFTER, THE SPECIAL JOINT MEETING OF THE CITIZENS' ADVISORY COMMITTEE AND THE COMMUNITY RELATIONS BOARD OF THE MOULTON NIGUEL WATER DISTRICT WAS ADJOURNED AT 11:15 A.M.

Respectfully submitted,

Frani Bailey
Recording Secretary

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