

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 7, 2013**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on November 7, 2013 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Stitle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Clyde
Member Stitle
Member Ross
Member Hensley

Absent: Member Fagan
Member Lucy
Member Carlstrom

Also Present: General Manager Brady
Executive Assistant/Board Secretary Washburn
Finance Manager Buckley
Senior Accountant Thomas
District Engineer Plonka
Water Operations/Customer Service Manager Atilano
Director Brazier

Four members of the public were present.

4. **PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)**

Rick Carey talked to the matter of the monitoring group. He expressed concerns regarding the uncertainties with the program as well as inquired as to what costs have been expended to date on this program. Dr. Brady said although there was a delay on the District's execution in establishing a monitoring group, staff was actively working on getting the group implemented.

Dr. Brady explained the steps being taking, including establishing a limited liability corporation.

Mr. Carey inquired as to whether there were any protections for those agricultural users who have not been made part of a monitoring group from being fined or held liable for such. Dr. Brady offered to meet with Mr. Carey at a later time to discuss the monitoring group topic in greater detail.

COMMITTEE ACTION ITEMS

5. COMMITTEE MEMBER COMMENTS

There were no comments.

*6. APPROVAL OF MINUTES

A. October 3, 2013

Action:

Moved by Member Clyde to approve the minutes as written. Seconded by Member Stitle.

After consideration, the motion CARRIED by the following vote:

AYES: Member Clyde, Member Stitle, Member Ross and Member Hensley.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy and Member Carlstrom.

7. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING

Dr. Brady updated the committee on the recent RMWD Board meeting including Board approval of the RMWD monitoring group, discussions regarding engineering staffing levels, as well as discussion between the employees and Board regarding concerns related to the potential consolidation of the two agencies.

8. UPDATE AND DISCUSSION REGARDING JPA/CONSOLIDATION OF WATER DISTRICTS

Dr. Brady talked about the discussions that took place at the November 6, 2013 NCJPA Regular Board meeting including review of the savings to date as well as Board approval that the Board recommend to their respective boards to approve moving forward with the consolidation process with LAFCO.

He briefly described the steps required of both districts by LAFCO. He noted the discussions that took place regarding important issues provided in the slide show presented at the NCJPA meeting.

9. DISCUSSION AND POSSIBLE ACTION REGARDING WATER AND SEWER FEES/IMPACT FEES

Mr. Stitle referenced the recommendation from Legal Counsel that RMWD pursue formation of a community facilities district as the most feasible option to finance this project in regards to financing sewer system improvements. He inquired as to what would happen should the ratepayers vote against the recommendation. Dr. Brady stated RMWD would then need to increase the rates considerably. Discussion ensued regarding the options provided in the letter from Legal Counsel.

Discussion ensued regarding the logistics and costs associated with elections and the voting process.

Mr. Stitle referred to the three options provided by Legal Counsel noting each would cost RMWD considerably. Discussion ensued regarding Ordinance 95-1.

Mrs. Plonka noted the cost for the Caltrans project is approximately \$15M to be paid by RMWD over the next three years. Discussion ensued.

It was noted a request will be made that the Board hold a joint special meeting with the committee in December to discuss this topic.

Mrs. Plonka updated the committee on the discussions that have taken place regarding impact fees. She referenced the handout provided at the meeting as she explained some of the options being considered based on the facts being collected. Discussion ensued.

Mr. Buckley asked for clarification as to whether the outfall project costs would be assessed on all new developers. Mrs. Plonka stated this would be up to the Board to decide. She noted the information provided was her best estimate of what she knows about as far as upcoming development in the near future in terms of how many EDU's are represented. She pointed out the main difference is to RMWD customers who have already purchased their EDU's or are connected today share in the cost of 3 out of 4 of these projects or not. Mr. Buckley pointed out the committee has already recommended to the Board that impact fees be developed; however, the committee still needs to decide on what next step should be.

Mrs. Plonka stressed it was vital to get this matter to the Board for consideration, especially when the developers are meeting on these numbers for their planning purposes. A representative from Campus Park West stated they would like the opportunity to review and discuss the proposed fees in order to better understand them. Discussion followed.

Mr. Clyde stated if these were things RMWD had to do anyways, 100% of the cost should not be passed on to the new development but rather spread out accordingly. It was noted this was one of the options being presented.

Discussion ensued regarding the rising planning costs associated with development.

It was suggested to look to developers to provide the funding due to the fact this project was generated by development.

Member Ross excused himself from the meeting at 2:05 p.m.

Mrs. Plonka pointed out the Horse Creek Ridge development has already paid for what RMWD said was their fair share of water facilities which has been agreed to under contract that was originally struck with Hewlett Packard a long time ago.

A representative of one of the property owners who has development expressed to the committee that any developer would understand any facility needed to be built as a result of new development would incur costs that the project should bear. He said it would be inequitable to saddle development with 100% of the costs associated with projects needing lifetime replacement for which no funding has been previous set aside. He stated this type of scenario is essentially the outcome of many years of improper budgeting of reserves that he does not believe developers should have to bear the brunt and may even be illegal.

Mr. Buckley recommended there be more time spent on calculations to try to make as strong a determination as possible. Mrs. Plonka pointed out it may be problematic to claim this matter is developer motivated when this may not be the case. Discussion ensued.

Mrs. Plonka solicited the committee for a recommendation to the Board. Discussion continued.

It was determined the committee did not have enough information to make an informed recommendation. It was suggested each developer and the respective costs be broken out on the worksheet to assist the committee with their understanding.

Discussion ensued regarding holding a special meeting with the Board of Directors in December.

Action:

Moved by Member Stitle the Budget and Finance Committee recommend to the Board that impact fees totaling approximately \$9.5M be discussed at the Board level with an ongoing discussion to determine how the fees should be split up between developers and existing ratepayers. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

AYES: Member Clyde, Member Stitle, and Member Hensley.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy, Member Ross and Member Carlstrom.

10. REVIEW OF YEAR-TO-DATE FINANCIAL STATEMENTS

Mr. Buckley referred to the handout provided containing the profit and loss as well as statistics. He pointed out RMWD was doing fairly well but is behind the budget as far as sales. Discussion followed.

It was confirmed the schedule provided does include impact fees and the Board will be considering the proposed Reserves Policy at their November meeting.

Mr. Buckley noted the Caltrans payments were included in the spreadsheet.

Discussion ensued regarding items listed on the handout including how CIP projects fluctuate.

It was asked if RMWD would be providing developers a proposal to build facilities they will in turn dedicate to the District. Dr. Brady explained how these matters are addressed.

Discussion ensued regarding the 2006 project on Silver Lake. It was noted RMWD was going to be contacted by Mr. Brighton; however, he was unsure if that has happened. Dr. Brady said he has not been contacted as of yet.

11. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING

There were no suggested items.

12. DISCUSSION AND POSSIBLE ACTION FOR RMWD LOAN STRATEGIES

Mr. Buckley noted this was on the agenda per Mr. Carlstrom's request. Dr. Brady said staff wanted to investigate whether SRF program could be part of the solution.

13. ADJOURNMENT

Action:

Moved by Member Stitle to adjourn. Seconded by Member Hensley.

After consideration, the motion CARRIED by the following vote:

AYES: Member Clyde, Member Stitle, and Member Hensley.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy, Member Ross and Member Carlstrom.

The meeting adjourned at 3:03 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary