

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 8, 2014**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on May 8, 2014 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 Carlstrom
Member Clyde
Member Stitle
Member Ross

Absent: Member Fagan
Member Lucy
Member Hensley

Also Present: General Manager Buckley
Executive Assistant/Board Secretary Washburn
Senior Accountant Thomas
Director Brazier
FPUD Director McPhee

One member of the public was present.

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

There were no comments.

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

Mr. Stitle commented about some of the unfounded negative commentary throughout the community regarding RMWD. He noted he was referring those individuals making such comments to contact the appropriate RMWD staff members. He also confirmed the letter he had drafted regarding the golf course would be ready to go to the Board in May.

Mr. Clyde talked about the press commenting about the FPUD application to LAFCO and how they were making RMWD sound like the culprit in the whole thing. It was noted these types of comments needed to be addressed as quickly as possible.

Mr. McPhee suggested RMWD start getting information out there to the public regarding the District's strong financial stability. Mr. Buckley noted there were things in the works to get this type of information out to the public.

***6. APPROVAL OF MINUTES**
A. April 3, 2014

Action:

Moved by Member Carlstrom to approve the minutes as written. Seconded by Member Ross.

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Stitle and Member Ross.
NOES: None.
ABSTAINED: Member Clyde.
ABSENT: Member Fagan, Member Lucy and Member Hensley.

7. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING

Mr. Buckley talked about the April 22nd Board meeting noting there was a presentation from SDCWA with valuable information including the large amount of money spent on storage facilities. He also mentioned the Board took action to have the ad hoc committee to search and bring back a recommendation for both a LAFCO and public relations consultant, respectively.

8. UPDATE AND DISCUSSION REGARDING FPUD APPLICATION TO LAFCO

Mr. Buckley pointed out FPUD had initially filed their application with LAFCO after which RMWD received a letter starting the time clock for RMWD to respond. He stated RMWD's attorneys had seen that FPUD did not give the appropriate notice for a public hearing with a 21-day notice which in turn gave RMWD more time to respond to the application. He mentioned the first response will be a Resolution of Objection that will be developed by a Board appointed two-person ad hoc committee and bring to the full Board for consideration once legal counsel conducts their review. He confirmed the clock will start again once RMWD receives a letter from LAFCO stating they have accepted FPUD's second application; however, RMWD has not yet received that letter.

Mr. Buckley reiterated the steps that will take place including LAFCO going through all the material sent to them and any additional information requested. He recalled Mr. Ott stating at the March 25th RMWD Board meeting that LAFCO would utilize an offsite auditor to audit the information for accuracy including how the dollar amounts would be attached to reducing full time equivalents from 123-103. He noted due to Mr. Ott's comments, RMWD's primary thrust will be financial matters. He explained the money RMWD has saved in staff reductions would continue and potentially a little more due to the fact RMWD has reduced staff significantly already. Mr. Stitle stressed the importance of having this information being brought up to LAFCO in terms of the FPUD application contemplates a further reduction of people in the field. Mr. Buckley agreed noting RMWD has reduced by twelve employees over the last 4-5 years for various reasons and how only three have been replaced leaving nine vacancies.

Mr. Clyde noted the sharing of equipments and such would not require a consolidation to accomplish. Mr. Buckley agreed stating during those years when RMWD left open positions for the savings FPUD has had what he guessed to be five employees leave with the replacement of all but one. He noted the agreement all along has been that FPUD would create their savings at RMWD's expense which was demonstrated in reviewing the financials for the last two months of the NCJPA where costs merely shifted which was clearly not a savings.

Mr. Ross added how FPUD had clearly had excess capacity on their side which RMWD could tap from other districts, not just FPUD. Mr. Buckley used FPUD's engineering department as an example noting FPUD's engineering department seemed to have the time to assist RMWD in a multiple of areas due to the fact they do not have the level of projects as those happening at RMWD.

Mr. Carlstrom suggested comparing the FPUD's capital improvement budget with RMWD's when talking about indicators of engineering capacity. He recommended focusing on this pretty hard on the level of FPUD's capital improvement plan.

Mr. Buckley stated RMWD knows FPUD has to rebuild, remodel, or upgrade their sewer treatment plant which they estimate to cost \$25M-\$28M in addition to do something to the bottom of their Red Mountain Reservoir which will also cost millions of dollars. He pointed out the speculation is that FPUD will need RMWD's assets to be able to borrow more money to do these projects which is something RMWD will be pointing out. Mr. Ross pointed out the fact that RMWD has more assets gives FPUD the biggest opportunity to do so. Mr. McPhee stated he thinks what FPUD wants is RMWD's assets which is why FPUD wants to take RMWD over. Mr. Buckley talked about the steps that will need to be taken should LAFCO approve FPUD's application including getting petitions signed. Mr. Stitle reiterated the importance of getting information out to the community including the HOA's. Discussion ensued regarding informing the RMWD ratepayers.

Mr. Carlstrom inquired about Ordinance 95-1 and whether or not this will disappear should the two agencies combine. It was confirmed Ordinance 95-1 would go away if RMWD is dissolved. Discussion ensued regarding the appropriate timing for getting correct information out to the public on several sticking points as well as how this should be effectively accomplished including committee involvement. It was noted time was of the essence.

Ms. Thomas suggested the question be asked as to whether FPUD has promised that the \$3M they claim are savings would be credited back to the ratepayers. She recommended someone attend an FPUD meeting and ask if their advertised savings were going to be given back to the ratepayers and should FPUD say yes, reimbursement to all ratepayers would total approximately \$8.00 per month for all ratepayers of a combined district. Discussion continued.

Mr. Buckley stated the Board will consider possibly hiring a LAFCO consultant at their May 16, 2014 Special Board meeting. Ms. Thomas asked if this committee would like to make a recommendation to the Board.

It was decided to put together a schedule in terms of what items should be addressed over the next several weeks.

9. UPDATE ON CALTRANS

Mr. Buckley reminded the committee this was still a matter being negotiated; however, he was able to share it was coming down to two factors including how much will each entity have to pay and how long will RMWD have to pay their portion. He mentioned RMWD was asking for the ten years to pay according to the mandate. He stated hopefully at the next committee meeting staff will be able to provide additional information.

Mr. Clyde inquired as to the lack of construction activity. Mr. Buckley explained Caltrans wants to get the project done. Discussion ensued.

10. UPDATE ON SEWER FORECAST

Mr. Carlstrom stated the committee has an existing ten-year forecast that does not address the issue of Caltrans and until there was some type of resolution, there was no point in updating the forecast. Mr. Stitle asked if there was any amount included in the sewer forecast. Discussion ensued.

11. ANTICIPATION FOR REDUCTIONS IN WATER USAGE BY CUSTOMERS DUE TO DROUGHT-LIKE CONDITIONS

Discussion took place regarding the information provided by SDCWA at the last Board meeting.

12. DISCUSSION AND POSSIBLE ACTION REGARDING COMMUNITY FACILITIES DISTRICT AND OTHER FINANCING OPTIONS

Mr. Buckley explained the annexations would be addressed at the May 27th Board meeting. Mr. Stitle mentioned he had forwarded a spreadsheet to Mrs. Plonka. Discussion followed.

Mr. Carlstrom talked about a recent newsletter article stating water sales could be cut in half and RMWD would still be financially stable without massive rate increases. He recommended this same technique be used for getting information out about Ordinance 95-1 at the next opportunity.

13. DISCUSSION AND UPDATE REGARDING DEVELOPER PROJECTS

Mr. Stitle reiterated the spreadsheet he provided to Mrs. Plonka where all she has to do is fill in some information.

Mr. Carlstrom noted this would be a good time to talk about 1-2 pages of the information he provided due to the fact it touches on this issue. He continued to explain the information. He asked if there was anything that could be updated as far as annexation was concerned. Mr. Buckley stated nothing has gone away; however, there may be some smaller developments that could be added. Mr. Carlstrom pointed out the list provided was from Mrs. Plonka; therefore, it has not been modified with information from Mr. Stitle.

Discussion ensued regarding the proposed impact fee for sewer and how it was still being studied but placed on hold due to waiting for the Caltrans matter to be resolved.

14. REVIEW OF WATER AND SEWER FIVE-YEAR PROJECTION WORKSHEET

Mr. Carlstrom pointed out he wanted to put a forecast together that goes beyond five years as well as the question of reduced water sales. He discussed various scenarios and changes incorporated into the spreadsheet.

Mrs. McPhee mentioned at the last FPUD meeting Ms. Eilers had stated the bulk of the savings FPUD experienced was during the JPA due to the sharing of employees and how they were now going to have to redo their budget due to the termination of the JPA.

Discussion ensued regarding interest on capital reserve.

15. DISCUSSION AND POSSIBLE ACTION REGARDING BUDGET FOR FISCAL YEAR 2014-15

Ms. Thomas started with reviewing the current year-to-date budget noting that there were some unfavorable costs incurred while the North County JPA was in place.

Ms. Thomas continued by pointed out there have been three staff budget meetings and hopes to have everything in perfect order for the next Budget and Finance meeting. She mentioned some of the items eliminated and added to the budget. She talked about why some of the cost centers were over and/or under budget as well as proposed changes for the upcoming budget. Discussion ensued.

Discussion took place regarding property taxes.

Mr. Carlstrom clarified with RMWD’s current revenue and expenses shows that the district would be just about “flat” right now. Ms. Thomas confirmed this was true. Discussion ensued.

16. SUGGESTED AGENDA ITEMS FOR NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING

It was decided to have an item for community relations on the next agenda.

17. ADJOURNMENT

Action:

Moved by Member Clyde to adjourn. Seconded by Member Ross.

After consideration, the motion CARRIED by the following vote:

- AYES:** Member Carlstrom, Member Clyde, Member Stitle and Member Ross.
- NOES:** None.
- ABSTAINED:** None.
- ABSENT:** Member Fagan, Member Lucy and Member Hensley.

The meeting adjourned at 2:54 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary