

**MINUTES OF THE SPECIAL BOARD MEETING
OF THE BOARD OF DIRECTORS/BUDGET AND FINANCE COMMITTEE
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 7, 2012**

1. **CALL TO ORDER** - The Special Meeting of the Board of Directors/Budget and Finance Committee of the Rainbow Municipal Water District on May 7, 2012 was called to order by President McManigle at 1:01 p.m. the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President McManigle and Chairperson Carlstrom presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **BOARD OF DIRECTORS ROLL CALL:**

Present: Director Brazier
Director Griffiths
Director Lucy
Director McManigle
Director Sanford

BUDGET AND FINANCE COMMITTEE ROLL CALL:

Present: Member Fagan
Member Carlstrom
Member Clyde
Member Petty
Member Stitle
Member Lucy

Absent: Alternate Duganski

Also Present: General Manager Seymour
District Engineer Lee
Finance Manager Buckley
Accountant Thomas
Superintendent Miller
Superintendent Maccarrone
Superintendent Walker
Human Resources Manager Bush
Executive Assistant Washburn
Customer Service and Operations Manager Atilano

One member of the public was present.

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

There were no public comments.

BOARD ACTION ITEMS

- *5. DISCUSSION AND POSSIBLE ACTION TO APPROVE RESOLUTION NO. 12-10- RESOLUTION OF THE BOARD OF DIRECTORS OF RAINBOW MUNICIPAL WATER DISTRICT ESTABLISHING CLASSIFICATIONS AND MONTHLY RATES OF PAY FOR DISTRICT EMPLOYEES EFFECTIVE JANUARY 1, 2011 THROUGH JUNE 30, 2014 FOR THE RAINBOW EMPLOYEE ASSOCIATION AND THE RAINBOW ASSOCIATION OF SUPERVISORS AND CONFIDENTIAL EMPLOYEES AND JUNE 13, 2011 THROUGH JUNE 30, 2014 FOR EXEMPT EMPLOYEES NECESSARY FOR COMPLIANCE WITH CALPERS REGULATIONS**

Action:

Moved by Brazier to approve Resolution 12-10. Seconded by Sanford

After consideration, the motion CARRIED by the following vote:

AYES: Director Brazier, Director Griffiths, Director Lucy, Director McManigle and Director Sanford.
NOES: None.
ABSTAINED: None.
ABSENT: None.

- 6. REVIEW AND POSSIBLE ACTION REGARDING THE FIRST DRAFT OF THE 2012-13 OPERATING BUDGET**

President McManigle explained this item was open for discussion by all those present.

Action:

Moved by Director Sanford to receive and approve the 2012-13 Operating Budget as submitted. Seconded by Director Brazier.

After consideration, the motion CARRIED by the following vote:

AYES: Director Brazier, Director Griffiths, Director Lucy, Director McManigle, and Director Sanford.
NOES: None.
ABSTAINED: None.
ABSENT: None.

Mr. Carlstrom mentioned how at their last meeting the Budget and Finance Committee had not voted whether to accept the budget due to the fact the members had not had an opportunity to go through it. He expressed hopefulness the committee members were prepared to do so today.

Mr. Carlstrom pointed out there were two pages in particular that he found valuable in trying to understand where the District stands. He noted one page provided commentary on the benefits and supplies and the other was the spreadsheets where Mr. Buckley created another column putting the budget into the five-year forecast spreadsheet so it could be seen how this budget compares to what was previously assumed for this year. He suggested the review begin with these two pages and get everyone up to speed on the assumptions and conditions and how it fits in the five-year program.

Mr. Petty noted the SAWR program offered by SDCWA appears as though it will continue for two more years and why he thought this was a positive thing. Mr. Seymour added SDCWA was also currently deciding whether or not to allow new people to sign up for the SAWR program.

Mr. Buckley spoke about the page referenced by Mr. Carlstrom noting that it indicates the projection or prediction included in the water sales which was the primary driver. He explained where to find the sales made in 2010, 2011, and 2012. He pointed out 2012 was close to what the budget called for last year. He said for 2013 sales were reduced to approximately where the district was a year ago. He talked about the number of people enrolled in the SAWR program.

Director Griffiths asked if the new wages and benefits were already accounted for in the previous calculations. Mr. Buckley stated they were included.

Mr. Carlstrom explained the updated forecast he handed out to everyone present.

Director Lucy pointed out now that there has been good news and the possibility of water rates steadying, he would be more optimistic about the growers staying in business without looking at other sources of water.

Mr. Buckley stated that since all the MOU's are in place there would be no changes in the Salaries and Benefits. He pointed out the budget did not include anything involving any consideration that may or may not be generated by a consolidation of whatever type.

Director Sanford talked about comparisons he made in the Salaries and Budgets and inquired as to the \$200,000 difference between the two pages in the same budget book. Mr. Buckley worked with Director Sanford to understand where he made the comparisons. Discussion ensued. Mr. Buckley stated he would look into this further and provide an explanation.

Mr. Buckley continued explaining the handout provided. He stated the information provided on the bottom of the page reflect rates including MWD's and SDCWA's. He noted there was an overall combined rate increase totaling 6.2%.

Mr. Buckley talked about the information provided on Page 2. He noted he wanted to display the difficulty in keeping RMWD's costs in line with reducing water sales.

Mr. Petty referenced the Wages and Benefits, CalPERS contributions, when he asked what RMWD's future obligation to its pension funds. Mr. Buckley stated it changed in that RMWD will no longer have to carry the financing and would only be paying its current obligation. Director Griffiths inquired as to projections for the next five years. It was noted more information on CalPERS' obligations was available online for anyone to review. Director Lucy pointed out the important point was that RMWD was current on all of its CalPERS obligations. Mr. Seymour assured the Board every year the RMWD budget will be adjusted according to its current CalPERS obligations whether they go up or down.

Mr. Buckley referenced Page 4 of the handout as he pointed out implemented rate increases. He confirmed RMWD was responsible for very a small piece of those increases.

Mr. Buckley pointed out the budget has recently been reduced by \$600,000 three years in a row. He noted the problem with continuing to reduce the budget by this much at some point RMWD would find it was doing without things that maybe should have been done.

Discussion ensued regarding the monies in reserve allotted for the CIP.

Mr. Buckley provided a brief explanation of the charts included in the handout.

Director Griffiths suggested the Board make a formal statement that any empty slot in the Organizational Chart be defunded and then should a need arise to fill vacant positions, staff must bring the matter to the Board for consideration. He stressed this would stop staff expansion. Director Sanford stated taking such a stand means the Board would be stepping into the General Manager's role. Mr. Carlstrom said he has found the operating staff currently in place at RMWD is active in keeping the costs down; therefore, the Board should express confidence in that the General Manager knows what he was doing and provide him with the flexibility to do what he needs to do. Director Brazier stated the General Manager needs to have the discretion. Mr. Petty said such a statement would be a form of micromanagement he would not support. Discussion ensued.

Mr. Buckley finished explaining the charts in the handout.

Mr. Carlstrom briefed everyone on the information provided in the forecast included in the handout. He concluded by stating RMWD needs new connections.

Director Sanford inquired as to how the shortage of funds would be covered. Mr. Carlstrom stated either through loans or possibly borrowing money from the sewer fund.

Mr. Petty suggested the Board approach Pardee and ask them to rescind their order that RMWD not talk to them while they are in negotiations with Valley Center and see if discussions can be opened with them regarding possibly utilizing RMWD for its services. Director Griffiths said although during his election campaign several years ago where he was not in favor of Pardee connecting into RMWD's system, he has since changed his mind based on changes that have taken place at RMWD and in the local area since that time as long as they will not need to build a sewer treatment plant.

Mr. Buckley noted should the Board decide to adopt this budget, it will not mean they are granting final approval of the rates. He explained the Board will have a chance to look at those rates in September or October after a public hearing is held.

Mr. Seymour pointed out Mr. Lee and Ms. Rebueno are working hard on the State Revolving Fund Loans.

Mr. Carlstrom canvassed the committee members for their thoughts, input, and comments. Mr. Stittle, Mr. Fagan, Director Lucy said they were pleased with the job Mr. Buckley did with making the budget as simple as possible to understand.

Action:

Moved by Member Petty the Budget and Finance Committee accept staff recommendation to approve the budget. Seconded by Mr. Clyde.

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Fagan, Member Lucy, Member Stitle, Member Clyde and Member Petty.

NOES: None.

ABSTAINED: None.

ABSENT: None.

The meeting continued Board Member comments.

Director Sanford inquired as to the recent increase to the Administration portion of the budget. Mr. Buckley noted this was due to the new server that needed to be purchased due to the recent computer system crash. Discussion ensued.

Director Sanford inquired as to the increase in the monthly building maintenance costs. Mr. Buckley pointed out this was for the parking lot resurfacing as well as shade covers to protect equipment from weather elements. Discussion followed.

Mr. Buckley explained the bank charges RMWD pays as well as the sewer treatment costs.

Director Sanford inquired as to the reason for the decline in electricity costs. Mr. Buckley pointed out this was due to the lower water sales. Mr. Seymour cautioned everyone SDG&E was looking at possibly implementing some increases.

Director Griffiths asked why the Capital Budget section was missing from the budget books. Mr. Buckley explained the Capital Budget was not being considered and/or approved at this time. He also said there was not a page in the Debt Services section of the budget; however, information was included in the summary pages.

Director Griffiths inquired as to whether or not Board Members were covered by Workers' Compensation. Mr. Buckley explained committee members would be covered under general liability just like any other customers injured on RMWD's property.

Discussion ensued regarding the Organizational Chart.

President McManigle turned the meeting over to Chairperson Carlstrom at 2:28 p.m.

COMMITTEE ACTION ITEMS

7. COMMITTEE MEMBER COMMENTS

Mr. Petty said it was a good meeting and appreciated the Board's support of the Budget and Finance Committee's recommendation. He stated he wholeheartedly agreed with Director Griffiths' comments on the Pardee development.

***8. APPROVAL OF MINUTES**

A. April 5, 2012

Action:

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

After consideration, the motion CARRIED by the following vote:

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

9. DISCUSSION AND POSSIBLE ACTION TO REMOVE COMMITTEE MEMBER AND RECONSIDER APPROPRIATE SIZE OF THE COMMITTEE

Mr. Clyde explained with the resignation of Mrs. Walson and the continued absences of Ms. Duganski he thought the committee membership should be discussed.

Ms. Washburn noted she had heard from Ms. Duganski who had been traveling and stated she would be fine with the committee's decision to remove or keep her on the committee. Ms. Washburn pointed she had stressed RMWD needed a Form 700 either way; however, Ms. Duganski has not responded to that request to date.

Ms. Washburn read aloud the portion of Administrative Code Section 2.09 relating to the number of members allowed to serve on any one committee.

Action:

Moved by Member Fagan to remove Ms. Duganski from the committee in accordance with Administrative Code Section 2.09. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

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

Action:

Moved by Member Clyde to reduce the size of the committee to five regular members and two alternate members. Seconded by Member Fagan.

After consideration, the motion CARRIED by the following vote:

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

Mr. Petty stated he would rather keep the membership at seven due to the fact he liked the flexibility. Mr. Fagan stated he would not be opposed to stepping down to an alternate member.

Action:

Moved by Member Fagan to change him from a regular member to an alternate member. Seconded by Member Carlstrom.

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Fagan, Member Lucy, Member Stitle, Member Clyde and Member Petty.

NOES: None.

ABSTAINED: None.

ABSENT: None.

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

It was noted the CIP budget, a staff report updating the committee on the negotiations with the local developers, the State Revolving Fund Loans, as well as the revised sewer rates should be on the next committee agenda.

11. ADJOURNMENT

Action:

The Budget and Finance Committee meeting was adjourned with a motion made by Member Petty and seconded by Member Clyde to a regular Budget and Finance Committee meeting on June 7, 2012 at 1:00 p.m.

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Lucy, Member Stitle, Member Clyde, Alternate Fagan, and Member Petty.

NOES: None.

ABSTAINED: None.

ABSENT: None.

Director Griffiths asked for handouts provided to the Board be three-hole punched.

Action:

The Board of Directors meeting was adjourned with a motion made by Director Brazier and seconded by Director Sanford to the Rainbow Public Facilities Corporation annual meeting on May 22, 2011, at 11:30 a.m.

After consideration, the motion CARRIED by the following vote:

AYES: Director Brazier, Director Griffiths, Director Lucy, Director McManigle, and
Director Sanford.

NOES: None.

ABSTAINED: None.

ABSENT: None.

The meeting adjourned at 2:51 p.m.

Rua Petty, Committee Vice Chairperson

Dawn M. Washburn, Board Secretary

George McManigle, Board President

Dawn M. Washburn, Board Secretary