

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
MARCH 6, 2014**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chair Stitle on March 6, 2014 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chair Stitle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Member Lucy  
Member Carlstrom  
Member Stitle  
Member Ross  
Member Hensley

**Absent:** Member Fagan  
Member Clyde

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

No members of the public were 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 reported that at the March 5, 2014 Special Board meeting the Board voted 4-1 to send a letter to FPUD telling them RMWD wants to fall out of the merger effective April 5, 2014. He said it was hard to say whether or not the respective Boards would change their minds. He mentioned should the withdrawal go through there would more likely be a need for RMWD to hire a new general manager as well as a replacement for Mr. Buckley. He stressed this withdrawal will have a major impact on RMWD's projected earnings for the next five years in terms of the way the committee had projected some things. Discussion ensued.

Mr. Hensley asked what the logic behind the decision to withdraw. Mr. Stitle answered it had to do with governance.

\*6. **APPROVAL OF MINUTES**

A. January 2, 2014

**Action:**

***Moved by Member Ross to approve the minutes from January 2, 2014 as written. Seconded by Member Carlstrom.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Member Lucy, Member Carlstrom, Member Stitle, Member Ross and Member Hensley.

**NOES:** None.

**ABSTAINED:** None.

**ABSENT:** Member Fagan and Member Clyde.

**7. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING**

Mr. Stitle repeated the Board voted to provide a Notice of Withdrawal to FPUD which was hand-delivered to FPUD today. Mr. Buckley explained RMWD's Board took the action within the constraints of the agreement and today was the drop dead date to be able to deliver that notice without having to wait another full year to withdraw. He pointed out there could be additional attempts at negotiating on some of the terms.

Mr. Lucy expressed his surprise that not one member of the FPUD Board contacted him to discuss the matter, especially when he has known them all for a number of years. He said based on this he believes FPUD has decided to go on; however, they may want to come back and start discussions again.

Mr. Buckley confirmed should there be no more attempts made to reconsider the NCJPA will end on April 5, 2014. Discussion ensued regarding the work that will need to be done at that time.

Mr. Ross asked about what took place in relation to the governance issue. Mr. Lucy explained one of the RMWD Board Members suggested continuing the JPA for two more years during which the two agencies would work out their differences; however, the FPUD Board Members did not want any part of that idea. He explained many of the RMWD Board Members were concerned with if they did not stop the NCJPA now, RMWD would be gutted and there would not be much left a year or more down the road. He stressed concern the property where RMWD was located could be sold which was a major asset to the RMWD.

Discussion ensued regarding the NCJPA discussions that took place regarding the matter of governance.

Mr. Hensley asked if this impacted Mr. Buckley's decision to retire. Mr. Buckley said although he would agree to stay with RMWD until a new general manager is found, someone would need to be found rather quickly.

Mr. Lucy stated he believes the RMWD Board feels divisional governance would be the most fair.

Mr. Buckley talked about the February 25, 2014 Board meeting at which time the Board approved the retirement golden handshake clause to allow three RMWD employees the option

of retiring earlier. He noted there was a 180-day open window during which they must make a choice to accept the offer or not. Discussion followed.

Mr. Carlstrom volunteered to attend the Engineering Committee in order to make sure there is interaction between the two as well as create the ability to talk about the projects and any costs associated with them.

Ms. Thomas pointed out there could be opportunity for the FPUD and RMWD engineering staff members to work together through some type of agreement. Mr. Lucy agreed. Ms. Thomas noted FPUD's engineering staff billed RMWD for approximately 78 hours for the month of February and how if there was that much time to devote to RMWD projects, there may be an advantage to sharing the engineering staff in the future. It was noted that due to the fact there was so much time to offer to RMWD, it makes one wonder if FPUD was possibly overstaffed in this area and if there could be a benefit to sharing these resources. Discussion ensued regarding surveying other local agencies regarding their engineering staffing levels and CIP budget.

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

It was noted this was discussed under Items #5 and #7.

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

Mr. Stitle asked if there was anything staff could tell the committee regarding the Caltrans project. Mr. Buckley noted the first part involved developing the Community Facilities District itself which was currently in progress. He explained although the Caltrans matter was intertwined with the CFD, it was a separate issue with details being worked out between the two parties via ongoing discussions. Discussion followed.

Mr. Lucy confirmed Legal Counsel and staff was doing whatever they can to protect the ratepayers. Discussion ensued regarding how the outcome of the discussions will impact the outcome of the forecasts.

**10. DISCUSSION AND UPDATE REGARDING DEVELOPER PROJECTS**

Mr. Buckley reported other than plan checks, there were no further updates. He explained there was a request for water availability; however, based on the information he had regarding this request, it was not included in any of the Committee calculations.

It was confirmed RMWD's boundaries do cover some of the area off Gopher Canyon Road.

Mr. Carlstrom asked if any of the developments being followed seemed to be following out at this point, especially the golf course being advocated in Bonsall. He said it sounds like there is potential upside to the number of homes that get built in this area rather than downside. Mr. Buckley agreed with this statement. Ms. Thomas talked about some of the discussions that have taken place regarding this potential development. Discussion followed.

Mr. Buckley pointed out Mrs. Plonka has made calculations in regards to whether or not there was enough sewer capacity with all the new developments continuing to add up. He reported if all the known developments follow through, RMWD would still have 600-700 EDU's remaining; thereby, not pushing capacity to the limit.

Discussion ensued regarding various means of public outreach.

#### **11. REVIEW OF WATER AND SEWER FIVE-YEAR PROJECTION WORKSHEET**

Mr. Buckley referred to the sewer projection worksheet first point out the reference to the Caltrans project. He continued to review the worksheet explaining the information provided. He noted although the current connection fees are included in the document, impact fees, Mello-Roos, or loans, etc. are not due to fact he wanted to be conservative to show RMWD can survive. Discussion followed.

Mr. Buckley said based on the current projections it was his opinion RMWD would not need to borrow money in the near future.

Discussions continued regarding the information provided on the worksheet in regards to sewer projections including any potential adjustments that need to be made.

Mr. Buckley explained the impact fees are associated with the CFD as well as confirmed the Board was still in the process of considering whether or not to create a CFD.

Mr. Stitle recommended any future rate increase be properly communicated a number of times well in advance with full explanations in order to assist the public's understanding.

Mr. Carlstrom provided various scenarios for the Committee to discuss in regards to what happens to the water bills with fluctuating water sales and an increase in the number of customer. Discussions ensued.

Mr. Buckley noted the MWD lawsuit was found in favor of SDCWA; however, it has not yet been determined what the payment amount would be. He pointed out there has been discussion regarding how the money awarded will be allocated by SDCWA.

Mr. Carlstrom talked about the direction received from Director Sanford regarding the costs associated with the dismantling of the NCJPA. Mr. Buckley noted he may need to seek clarification as to what exactly what Director Sanford wanted to see in order to properly prepare a report for the March 25, 2014 RMWD Board meeting. Discussion ensued regarding the type of information should be included in the report. It was noted replacing Mr. Buckley's position would not come into play due to the fact it was not previously accounted for in the projected savings.

***Mr. Lucy excused himself from the meeting at 2:25 p.m.***

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

Mr. Buckley pointed out the June deadline for the budget would still be met. He said at this point he was going to go with the increases that were included in both the five and ten year forecasts. He confirmed he would utilize projections as though the NCJPA went away due to the fact he does not see the respective boards renegotiating at this point.

Mr. Ross asked what impact the State's 20% reduction in available will have on RMWD. Mr. Buckley answered SDCWA has stated the county was good for at least a year because a great deal of money was spent on storage. He agreed to provide a copy of the most recent water and sewer spreadsheets. It was noted the CIP was critical.

Mr. Buckley stated he would provide the committee with the information he prepares in regards to the unwinding of the NCJPA next week for their review and input. Discussion ensued.

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

It was noted the next agenda should have the same items as this one in order to allow for updates to be provided.

**14. ADJOURNMENT**

**Action:**

***Moved by Member Carlstrom to adjourn. Seconded by Member Hensley.***

***After consideration, the motion CARRIED by the following vote:***

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

The meeting adjourned at 2:43 p.m.

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**Harry Stitle, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**