

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
FEBRUARY 2, 2012**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Carlstrom on February 2, 2012 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Carlstrom presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Member Fagan  
Member Carlstrom  
Member Clyde  
Member Petty

**Absent:** Member Lucy  
Alternate Duganski  
Member S. Walson  
Member Stitle

**Also Present:** General Manager Seymour  
District Engineer Lee  
Associate Engineer Plonka  
Finance Manager Buckley  
Accountant Thomas  
Superintendent Miller  
Superintendent Maccarrone  
Superintendent Walker  
Human Resources Manager Bush  
Executive Assistant Washburn

Three 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. Carlstrom briefly commented on his presentation of the five-year forecast at the RMWD Board of Directors' meeting of January 24, 2012.

**\*6. APPROVAL OF MINUTES**

**A.** January 12, 2012

**Action:**

***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 Fagan, Member Carlstrom and Member Clyde.

**NOES:** None.

**ABSTAINED:** Member Petty.

**ABSENT:** Member Lucy, Alternate Duganski, Member S. Walson and Member Stitle.

**7. DISCUSSION AND POSSIBLE ACTION REGARDING DOWNSIZED METER REQUEST BY DEVELOPER. BRIAN LEE WILL PRESENT INFORMATION**

Mr. Lee provided handouts to everyone present and talked about the request from developers that RMWD make 5/8" and 3/4" water meters available to smaller sized homes.

***Harry Stitle joined the meeting at 1:14 p.m.***

Mr. Lee talked about the Campus Park, Campus Park West, and Meadowood projects. Mr. Lee explained that Campus Park does lie within the district boundary while Campus Park West and Meadowood do not. He said now that the County has approved the development, it may be worth seriously considering annexing the two projects. He stated RMWD now has enough sewer EDU's to serve all three projects while at the same time eliminating the construction of a sewer treatment plant that Meadowood is currently planning. He explained that the engineering committee appears to favor recommending this plan to the RMWD Board. He also stated that he would be working with the Meadowood developer to iron out the details of a pre-annexation agreement.

Mr. Stitle inquired about the proposed houses meeting fire protection requirements. Mr. Lee explained there would be one meter and one backflow at each home. Mr. Lee explained that the 1" meter would be physically installed to meet the fire flow requirement, but that the 5/8" domestic line would separately branch off the meter for all other household and irrigation flow requirements.

Mr. Petty expressed concern about defensible procedures to insure that customers are not exceeding the capacity of the smaller meter. Mr. Lee suggested RMWD address this concern with Legal Counsel. Mr. Petty stated it was imperative RMWD be able to defend the policy in its entirety. Mr. Stitle asked what the dollar difference is between the 1" and 5/8" meter prices. Mr. Lee answered that it would be approximately \$7,000 to \$8,000 dollars. Ms. Brazier clarified RMWD's portion would be \$5,000 and the remaining portion would be SDCWA's.

Mr. Seymour pointed out it was within RMWD's rights to place a 5/8" restrictor on the domestic side (not the fire protection side) on any 1" meters so that RMWD could monitor usage as well as be sure to charge the customer appropriately. Mr. Lee pointed out that the reducer would also assist in recognizing potential leaks in the water lines.

Mr. Lee pointed out there were a number of existing residential customers currently using and being charged for 1" meters. He said current customers could apply to RMWD to see whether or not they qualify for a smaller meter. Staff would determine whether or not the property in question meets the criteria that will be stipulated in the policy. He stressed he was not looking to make any retroactive monetary reimbursements and that any potential capacity charge changes would only go forward.

Mr. Petty asked whether or not there would be a need to add an employee to staff to assist with this matter. Mr. Lee said he believe current staff was sufficient to handling these changes.

Mr. Carlstrom asked Mr. Lee to state exactly what he was asking of this committee at this time. Mr. Lee stated supporting the changing for allowing 5/8" and 3/4" sized meters to RMWD's inventory, pursuing the annexing of Campus Park West, and sending a strong message to Meadowood that RMWD was serious about reviewing their situation, potentially providing service and annexing their property into the District boundaries.

Discussion ensued regarding whether or not changes should be made to the water usage charges. It was determined this would have to be studied much more before considering and would most likely not be feasible.

Discussion went to Item #8.

Mr. Carlstrom reviewed each of the three motions before the committee for consideration.

**Action:**

***Moved by Member Petty the committee support the philosophy of downsizing the water meters so that it will give staff the ability to discuss future plans for the area. Seconded by Member Clyde.***

Mr. Petty pointed out the first motion made herein was to allow staff to enter into discussions only at this time and thereby not committing to getting into an agreement or anything with potential developers of the areas outside. He clarified it was for investigating purposes with the intent of potentially entering into negotiations.

Mr. Carlstrom stated he was unclear as to why this qualification needs to be put in when all really needs to be done was to make a recommendation to the board

Mr. Carlstrom proposed an amended motion. Mr. Petty agreed with the changed motion.

**Action:**

***Moved by Member Carlstrom this committee recommends to the Board that they allow 5/8" and 3/4" meters to be offered wherever they are appropriate. Seconded by Member Clyde.***

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

**AYES:** Member Fagan, Member Carlstrom, Member Clyde, Member Stitle, and Member Petty.  
**NOES:** None.  
**ABSTAINED:** None.  
**ABSENT:** Member Lucy, Alternate Duganski, and Member S. Walson.

**Action:**

***Moved by Member Carlstrom the Budget and Finance committee recommends to the Board the annexation of Campus Park West which is known as “the doughnut hole” for service by this water district. Seconded by Member Clyde.***

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

**AYES:** Member Fagan, Member Carlstrom, Member Clyde, Member Stitle, and Member Petty.  
**NOES:** None.  
**ABSTAINED:** None.  
**ABSENT:** Member Lucy, Alternate Duganski, and Member S. Walson.

**Action:**

***Moved by Member Carlstrom that the Budget and Finance Committee, based on the financial data reviewed by the committees, advises the Board authorize staff to pursue active discussions with Meadowood to serve the water and sewer needs of their development. Seconded by Member Petty.***

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

**AYES:** Member Fagan, Member Carlstrom, Member Clyde, Member Stitle, and Member Petty.  
**NOES:** None.  
**ABSTAINED:** None.  
**ABSENT:** Member Lucy, Alternate Duganski, and Member S. Walson.

Mr. Stitle questioned if the Meadowood discussions could be held without a public vote of the public ratepayers. Mr. Petty stated he would not take a stand either way on this matter, but noted it would be up to the Board to decide how this was going to happen. Mr. Carlstrom pointed out if the serious discussions about how RMWD could serve the Meadowood project water and sewer needs and they determine they cannot wait for a public vote, the Board will have to decide just how serious they are regarding this matter. Mr. Lee noted the Board has already started moving forward in the direction of considering annexation at their December meeting by removing the restriction that prevented staff from talking to developers. Mr. Petty asked with RMWD’s sewer system, usage, and adjustment of units would the District be capable to serving those areas without having another treatment plant built in the area. Mr. Lee answered yes, this could be done.

Mr. Clyde suggested the committee’s recommendation be accompanied by the financial data which displays the advantages for the district.

Discussion went to Item #9.

**8. UPDATE AND DISCUSSION OF CASH FLOW PROJECTIONS IN FIVE AND TEN YEAR FORECASTS**

Mr. Carlstrom provided copies of the forecasts he presented at the January Board meeting. He explained the differences between last year's forecast and the newest revision. Mr. Carlstrom then explained that the new spreadsheet reflects the reduced capacity charge for the 5/8" and 3/4" meters. He noted this change caused a significant negative swing to the bottom line. Mr. Carlstrom then inserted the additional meter sales realized if the Campus Park West and Meadowood projects were approved for annexation. He said that the additional meters allows for a stabilized ten-year forecast for the district. Mr. Carlstrom stated the committee should encourage the board to allow this growth plan.

Mr. Stitle stated since the developments are already approved by the County that it makes sense that RMWD realize the revenue rather than allow another water district to take advantage of the new revenue. He stated that we have to seriously consider this proposal.

Discussion returned to Item #7.

**9. DISCUSSION AND POSSIBLE ACTION REGARDING BUDGET YEAR 2012-13 CALENDAR, ASSUMPTIONS AND PROJECTIONS**

Mr. Buckley presented materials which included the budget calendar, information regarding Metropolitan's projected rate increases, changes to the IAWP and SAWR programs, and projections by SDCWA regarding weather forecasts for the rest of this year. Mr. Buckley explained that the IAWP and SAWR programs would be ending December 31, 2012, but that SDCWA would be extending a modified SAWR program for agricultural customers. He pointed out that the loss of the water discount for the IAWP customers would most likely have a negative impact on agricultural water sales for RMWD. He also explained that the modified SAWR program will no longer have the discount on the water rate, but would continue the reduced rate on the pass-through meter charge due to the Emergency Storage program that is not available to agricultural customers.

**10. DISCUSSION AND POSSIBLE ACTION REGARDING METER PRICES**

Mr. Buckley explained that the capacity charges for water meters needed to be updated due to the fact that RMWD has added several million dollars of infrastructure in that past 18 months. He stressed that this update should be done when all reservoir projects other than Beck have been placed into service.

**11. DISCUSSION AND POSSIBLE ACTION REGARDING COMMITTEE FUNCTION**

Mr. Carlstrom asked for comments from the committee regarding the committee's role and whether the committee should be fulfilling other duties on behalf of the board. He expressed concern that the committee was not functioning as well as it might. Mr. Petty stated that the committee should look into financing opportunities for the district. Mr. Carlstrom said that the district is actively seeking funding through the State Revolving Fund loan program.

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

It was noted the budget update and audit 2012 Request for Proposal be brought back to the next committee meeting.

**13. ADJOURNMENT**

**Action:**

*Moved by Member Clyde to adjourn. Seconded by Member Stitle.*

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

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

**NOES:** None.

**ABSTAINED:** None.

**ABSENT:** Member Lucy, Alternate Duganski and Member S. Walson.

The meeting adjourned at 3:16 p.m.

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**Larry Carlstrom, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**