

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
DECEMBER 4, 2012**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Carlstrom on December 4, 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 Carlstrom
Member Clyde
Member Stitle

Absent: Member Fagan
Member Lucy

Also Present: Assistant General Manager/District Engineer Lee
Finance Manager Buckley
Customer Service Manager Atilano
Associate Engineer Plonka
Assistant Rubio

There were two members of the public present.

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

There were no public comments.

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

There were no committee member comments.

*6. **APPROVAL OF MINUTES**

A. November 1, 2012

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

7. DISCUSSION AND POSSIBLE ACTION REGARDING COMMITTEE MEMBERSHIP APPOINTMENTS

Mr. Carlstrom said Mr. Hensley and Mr. Ross have expressed interest in becoming members of the committee and provided summaries of their interest and background at last month's meeting. He asked the committee members to provide their recommendations. Discussion followed regarding full membership or alternate membership. Mr. Carlstrom concluded that if the committee recommended membership as alternates they could be appointed as full members at a later time.

Action:

Moved by Member Clyde to recommended to the Board to appoint Mr. Hensley and Mr. Ross as alternate members. Seconded by Member Stitle.

After consideration, the motion CARRIED by the following vote:

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

8. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING

Mr. Lee explained the latest information regarding the formation of a Joint Powers Authority (JPA). He stated that the JPA could be formed in a matter of months while the two districts continue to explore full consolidation. Mr. Lee said that the two boards have given direction to pursue formation of the JPA with expectations that it could be accomplished by March 2013. Mr. Lee also discussed the board action for a public hearing in February for the purpose of considering rate increases.

9. INFORMATIONAL UPDATE REGARDING POTENTIAL ANNEXATION AND PROGRESS WITH DEVELOPERS (BRIAN LEE)

Mr. Lee reviewed the status of the Campus Park West development stating that the water supply assessment had been performed and that the preannexation agreement was completed. The Warner Ranch development preannexation agreement is in process and water and sewer availability letters had been signed.

Mr. Carlstrom had asked if it would be possible to tour the development sites to get a better idea of the location and magnitude of the developments. Mr. Lee said that he would arrange for that and make the tour available to all committee members.

10. UPDATE REGARDING STATUS OF CONSTRUCTION PROJECTS (BRIAN LEE)

Mr. Lee reported that the \$18 million State Revolving Fund loan had been secured for financing the Morro and Pala Mesa/Beck projects. The District should receive approximately 75% of loan proceeds from the first submission of invoices. He said that the new Pala Mesa tank was now in service.

11. UPDATE AND DISCUSSION REGARDING POTENTIAL JPA/CONSOLIDATION OF WATER DISTRICTS (DAVE SEYMOUR, BRIAN LEE)

Item #11 was discussed as part of item #8.

12. REVIEW AND POSSIBLE ACTION OF UPDATED 5-YEAR FINANCIAL FORECAST AND FUTURE RATE INCREASES

Mr. Carlstrom distributed the five and ten year forecasts that he and Mr. Buckley had updated. The update included the \$18,000,000 loan to be received in 2013. Mr. Carlstrom discussed how the loan proceeds place the District in a stronger financial position for the next ten years or more. He explained that the projected growth of homes is still a key component of a successful financial forecast. Mr. Stitle suggested that the inflationary factor for electrical power should be increased to 8%. Mr. Carlstrom discussed the possibility of discontinuing the Reservoir Surcharge that was adopted two years ago. Mr. Buckley added that the District told the public that if the District receives appropriate low interest loans that it could greatly reduce or eliminate the surcharge. Discussion followed regarding the timing of discontinuing the surcharge.

Action:

Moved by Member Stitle to recommend to the Board to adopt the O & M and commodity rate increases which had been proposed at last month's meeting and discontinue the Reservoir Surcharge with the effective date of July 1, 2013. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

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

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

The Member Carlstrom suggested that the committee schedule the next meeting on January 10, 2013 rather than January 3rd due to holiday conflicts. The membership concurred.

14. ADJOURNMENT

The meeting adjourned at 2:29 p.m.

Larry Carlstrom, Committee Chairperson

Dawn M. Washburn, Board Secretary