

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APRIL 3, 2014**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on April 3, 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 Stitle
Member Ross
Member Hensley

Absent: Member Fagan
Member Lucy
Member Clyde

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

There were 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. Carlstrom mentioned his attendance at the recent RMWD Engineering Committee meeting and the Asset Management Plan on which Mrs. Plonka was currently working. He also talked about the Reserve Study being prepared by Mr. Buckley. Discussion ensued.

Mr. Carlstrom suggested the monthly updated lists on developments being provided by Mrs. Plonka may be something this committee would be interested in having as well. Mr. Buckley pointed out the projects that are listed may not be in the five year forecasts as of yet; however, they are on the radar as potential developments.

***6. APPROVAL OF MINUTES**
A. March 6, 2014

Action:

Moved by Member Hensley to approve the minutes as submitted. Seconded by Member Carlstrom.

After consideration, the motion CARRIED by the following vote:

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

7. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING

Mr. Stittle mentioned Mr. Ott from LAFCO was at the last meeting and how Mr. Ott had admitted to being involved in this FPUD application process long before March. He noted there was a report on the San Diego LAFCO website and how it was obvious from that report there were several things that will be subject to some discussions. He stated the report sounded as if it was a done deal; however, it was much more financially aggressive than what Mr. Brady and Mr. Seymour had agreed to over a period of a year approximately one year ago.

Mr. Buckley explained LAFCO has reviewed FPUD's application to them for completeness for proper filing according to the letter RMWD received on March 25, 2014. He stated at this point there was a thirty day period during which RMWD can offer a letter of "rebuttal" which will be discussed at a RMWD Special Board Meeting on April 7th including addressing as many issues with FPUD's application that are relevant to refute or protest against as well as making comments RMWD has regarding appropriateness.

Mr. Buckley mentioned Mr. Ott had said LAFCO was having information provided in the FPUD application audited; however, he was unsure what this meant or if RMWD would be involved in any part of that process. He stated it was unclear how long the review period will take, but after the review is complete, Mr. Ott would potentially go before the LAFCO Board of Directors who will in turn vote as to whether or not to approve this reorganization by dissolving RMWD. He noted realistically should RMWD be dissolved, there was a possibility that RMWD could lose out in different financial arenas which would be harmful to the RMWD ratepayers.

Mr. Buckley explained if the LAFCO Board decides in favor of the reorganization, then there is another thirty day period where voters would protest by way of petition. He noted it was unclear whether or not it would be just RMWD voters or both agency voters combined that would participate in this part of the process. He pointed out if the petition was 50% plus one, it would terminate the entire matter. Mr. Carlstrom asked if there was any reason why a form could not be generated for signatures now. Mr. Buckley stated this would be one of the questions to be asked at the April 7th Board meeting as well as other matters that may need addressed.

Ms. Thomas recalled Mr. Ott stating any signatures collected before the petition period begins would not count; however, the petition period would not start until after the LAFCO Board decides to move forward with the reorganization. It was noted an official form will be provided when the petition period opens; therefore, nothing can be formally signed until that time.

Discussion ensued regarding ways to get information out to the public in the meantime. Mr. Buckley stated there would be a letter sent (independent of the monthly billing or newsletter) to every ratepayer that talks about what happened as well as some positive things about RMWD.

Mr. Carlstrom asked about the claim made by FPUD that staff could be eventually significantly reduced in the event of reorganization and from which district would those employees come from if the agencies are to be equal in staff levels. He pointed out RMWD has been reduced by 8-9 positions already; therefore, he would like to know what FPUD was going to do. Mr. Buckley pointed out only two positions generating any savings remain unfilled at FPUD; therefore, they have not met their target goals to which Mr. Stitle referred.

Mr. Ross talked about how the results of the renting back of labor showed FPUD was clearly overstaffed due to the fact they picked up a great deal of extra hours they would not have normally. Mr. Buckley mentioned he and Mrs. Plonka have talked about the RMWD engineering department due to the fact the department will lose two more individuals that have accepted the golden handshake retirement offer. He stated RMWD was not going to hire anyone immediately, but rather use contractors in the interim.

Mr. Carlstrom noted Mr. Ott was present for the Budget and Finance Committee presentation he made at the March 25th Board meeting. Discussion ensued regarding the information provided in the presentation.

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

Mr. Stitle asked Mr. Buckley if he had an opportunity to review the spreadsheets provided in FPUD's application to LAFCO. Mr. Buckley stated he had not had a chance to look at them in depth but will be very shortly. Mr. Stitle stated there was some information provided he was not sure could be counted on as being accurate. Discussion followed.

Mr. Stitle asked who would be preparing the response to LAFCO. Mr. Buckley answered it would be a combination of himself and Legal Counsel. He added he was planning on asking the Board if they would want and be willing to appoint a two-person ad hoc committee to get this done. Mr. Stitle stressed the importance that the response be based on facts and not opinions. He offered his assistance if deemed necessary.

Mr. Buckley pointed out the Special Board meeting starts at 3:00 p.m. and that the Closed Session may take quite some time to complete.

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

Mr. Stitle inquired as to the status of the Caltrans matter in terms of RMWD's negotiations. Mr. Buckley stated there were no updates on the Community Facilities District. He explained Legal Counsel Sanchez was now taking the lead on the Caltrans matter; however, he could not offer any more information due to the fact it was discussed in Closed Session.

10. DISCUSSION AND UPDATE REGARDING DEVELOPER PROJECTS

Mr. Buckley pointed out the projects are very real as well as others that are most probable. He talked about the pipeline to be shared with Valley Center.

Mr. Carlstrom suggested one of the committee members take the list of developments provided on the second page of the spreadsheet and add those missing to the forecast spreadsheet. Discussion ensued. Mr. Stitle volunteered to update the spreadsheets.

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

Mr. Carlstrom referred to a handout as he talked about several revised items to ensure everyone was on the same page. He noted he changed the title of budget to baseline in order to provide a more in-tune with what has actually occurred during the year. He pointed out fiscal year 2020 will need to be added to the spreadsheet. He continued to explain the information provided in the spreadsheet. Discussion followed.

Ms. Thomas announced RMWD received a check for \$9.39M from State Revolving Funds on April 1, 2014.

Mr. Carlstrom said he would like to have Mrs. Plonka's best estimate of what the amount might be in order to get the information to carry through Fiscal Year 2019 on the spreadsheet.

Discussion ensued regarding the RMWD employees who accepted the "golden handshakes".

Mr. Carlstrom talked about how he had made a comment at the Board meeting regarding there being no credit or consideration taken in the financial spreadsheet for the cost reductions that were made due to the JPA and that the analysis was based on RMWD remaining independent. He pointed out Director Sanford's realized that by sharing this information it showed RMWD was financially stable and a consolidation was not necessary.

Mr. Stitle inquired about whether or not RMWD and FPUD would continue to lease employees. Mr. Buckley stated no unless there was an emergency at which time the two agencies would help each other as much as possible as a good neighbor.

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

Ms. Thomas gave an update on the current budget process noting the managers were in the process of meeting and going through the budget page by page to determine what is needed and what is not. She anticipated when they meet again on April 14, 2014 almost everything will be done at which time the amounts will be added into all the pages for final review.

It was confirmed the RMWD employees that were positioned at FPUD have since been moved back to the RMWD offices. Mr. Buckley mentioned he was preparing a report showing the money RMWD spent for relocating RMWD staff to FPUD that will not be recovered in any way. He also talked about reports he handed out regarding the NCJPA costs and savings.

Mr. Buckley explained the information provided in the financial report. It was noted the fact that RMWD independently has and will continue to save approximately \$850,000 per year without consolidation efforts as well as has always practiced frugality.

Mr. Stitle asked if there were any historical negative issues relating to RMWD that could impact RMWD voters to sign up. It was noted it could be RMWD's prior reputation from things that occurred years ago as well as perpetuating statements made against RMWD in relation to the possible consolidation with FPUD; however, the past reputation was no longer pertinent. Discussion ensued.

Ms. Thomas pointed out although it may not be a huge thing because RMWD has less than 100 employees they are in a pool with CalPERS. She stated if the two districts did consolidate the share of percentage of employer contributions to CalPERS would increase due to the fact there would be more than 100 employees which would take the district out of that pool. Discussion followed.

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

It was suggested a Caltrans update as well as a report regarding the sewer forecast.

It was decided the next meeting would be held on May 8, 2014.

Discussion ensued regarding whether there was anticipation for reductions in water usage by customers due to the drought-like conditions.

14. ADJOURNMENT

Action:

Moved by Member Hensley to adjourn the meeting. Seconded by Member Carlstrom.

After consideration, the motion CARRIED by the following vote:

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

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy and Member Clyde.

The meeting adjourned at 2:52 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary