

11. REVIEW THE FOLLOWING:

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow

12. REVIEW 2017 WATER RATES

13. DEVELOPER UPDATE

14. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2017 COMMITTEE OFFICERS

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

16. ADJOURNMENT

ATTEST TO POSTING:



Helene Brazier
Secretary of the Board

11-30-16 @ 2:15 P.M.

Date and Time of Posting
Outside Display Cases

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**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 8, 2016**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on November 8, 2016 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 Stitle, Member Ross, Member Clyde, Member Moss, Alternate Martinez.

Absent: Member Hensley.

Also Present: General Manager Kennedy, Administrative Analyst Gray.

Two members of the public were present.

4. SEATING OF ALTERNATES

It was noted Alternate Martinez would participate in this meeting.

5. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)

There were no changes to the agenda.

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

There were no public comments.

COMMITTEE ACTION ITEMS

7. COMMITTEE MEMBER COMMENTS

There were no comments.

***8. APPROVAL OF MINUTES**

A. October 11, 2016

Motion:

To accept the minutes as written.

Action: Approve, Moved by Member Ross, Seconded by Member Clyde.

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Vote: Motion carried by unanimous vote (summary: Ayes=4).

Ayes: Member Stitle, Member Clyde, Member Ross, Member Moss, Alternate Martinez.

9. PRESENTATION ON THE POTENTIAL COMMUNITY FACILITIES DISTRICT DEVELOPMENT FOR DR HORTON PROJECT

Mr. Kennedy explained this item was associated with the D.R. Horton project and to discuss the potential for developing a Community Facilities District (CFD), which was essentially a means to finance certain infrastructure and capacity fees on a Mello-Roos type of tax on the properties. He pointed out the developer was looking to have this process starting in the month of December which will include taking a look at the development of a CFD as well as discuss other topics.

Sunit Patel, a consultant to D.R. Horton on the Horse Creek Ridge project gave a presentation related to this matter. Mr. Patel pointed out the bonds are limited obligation bonds secured solely by the land within the CFD and that special tax securing the bond issuance. He stated there was no financial risk to RMWD and all costs associated with forming the CFD are paid for by the developer.

Mr. Patel explained the California Statewide Communities Development Authority (CSCDA) which is a joint powers entity created to assist local governments with an effective tool for financing community based public benefit projects. He noted RMWD would be asked to be a CSCDA participant which consists of passing a simple resolution; there is not upfront or ongoing membership fee. It was noted RMWD would not need to administer anything and how all tax-related questions and inquiries are directed to and handled by CSCDA.

Mr. Patel talked about the general description of the proposed CFD facilities for the Horse Creek Ridge project, the procedural steps involved in the initial stages, and what can be expected one the CFD is formed.

Mr. Stitle inquired as to what happens should the developer go bankrupt during the process. Mr. Patel stated in the event this should occur and the bonds have been issued, the land serves as the collateral for those bonds which would be subject to the foreclosure process.

Mr. Kennedy mentioned there was no benefit to RMWD unless the terms of the sewer capacity agreement can be renegotiated. He stated it was anticipated this matter to be brought to the Board for consideration in December, 2016. It was noted the district needed to be formed before the first home closing takes place.

Mr. Ross recommended prior to going forward, it would be a good idea to arrive at a number that could be "locked away". Mr. Kennedy confirmed when this matter is brought to the Board for consideration, they will be provided with a range of incentive options that will benefit the District.

Mr. Kennedy stated the worst case scenario would be it does not go forward. Ms. Moss expressed concern this may not be a good place to be based upon the old agreement.

Mr. Patel thanked the committee for their time and consideration.

Director Brazier asked if there was a "ball park" figure of how much money will be saved as a negotiating point. Mr. Ross explained it was the cost of capital against net present value. Mr. Kennedy stressed if there was not a good enough incentive, RMWD would not go forward.

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Mr. Kennedy asked Mrs. Martinez to work on putting together a “ball park” figure.

10. REVIEW CAPACITY FEE STUDY

This item was delayed until December.

11. REVIEW ADMINISTRATIVE CODE SECTIONS 5.03.080 AND 5.03.220

It was noted there were some punctuation and grammar changes noted in the committee review.

Discussion ensued as the review of the latest investment report took place.

Mr. Kennedy stated staff and Legal Counsel will review these policies.

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Mrs. Martinez explained once the conversion of utility billing with Springbrook is completed in the upcoming week, her next priority will be to work on the presentation of the reports.

13. REVIEW 2017 WATER RATES

Mrs. Martinez gave a presentation on the proposed 2017 water rates. She pointed out the Budget and Finance Committee held several meetings during the process of conducting the Cost of Service Study and how on October 27, 2015, the Board held a public hearing to review the proposed water rates. She also noted on December 15, 2015, the Board adopted the proposed water rates putting the new water rates into effect January 1, 2016. She stated these steps met all of the Proposition 218 compliance requirements.

Mrs. Martinez explained due to the steps taken during 2015, the schedule of fees can be adopted with automatic adjustments that pass through increases in wholesale charges for water from other public agencies as well as adjustments for inflation for a period not to exceed five years. She pointed out there must be clearly defined formulas, adjustments must not exceed the cost of providing the service, and notices of any adjustments shall be given not less than 30 thirty before the effective date of such adjustment.

Mrs. Martinez stated with the adoption of Ordinance No. 15-10 adopted on December 15, 2015, the allowable pass through charges are SDCWA’s fixed charges, SDCWA’s imported water charges, energy costs imposed by SDG&E, increase in costs of operating and retaining the water system based on the annual inflationary adjustment in the San Diego Consumer Price Index, and any reduction in the allocation of agriculture property tax.

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Mrs. Martinez concluded by noting if things remain stable (CPI, pass through charges, etc.), RMWD can continue on with the annual automatic adjustments; however, if there are any fluctuations or variances that are financially detrimental to RMWD, it will require going through the Proposition 218 process again.

Mr. Kennedy noted staff would be requesting the Board consider a 3.5% rate increase at their next Board meeting.

14. DEVELOPER UPDATE

Mr. Kennedy reported D.R. Horton has started working and the Meadowood project is anticipated to follow shortly behind.

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

It was determined the capacity fees and asset valuation final report should be ready in time for the next Budget and Finance Committee meeting.

Mr. Kennedy introduced RMWD managers, Karleen Harp and Darren Milner. Mrs. Harp and Mr. Milner talked about the Challenge Coin Program recently implemented at RMWD as they presented each committee member with an Excellence coin.

16. ADJOURNMENT

Motion:

To adjourn.

Action: Approve, Moved by Member Clyde, Seconded by Member Ross.

Vote: Motion carried by unanimous vote (summary: Ayes=4).

Ayes: Member Stitle, Member Clyde, Member Ross, Member Moss, Alternate Martinez.

The meeting adjourned at 2:55 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary