

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

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Member Stitle on October 04, 2012 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:02 p.m. Member Stitle 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
Water Operations/Customer Service Manager Atilano
Senior Accountant Thomas
Director Brazier

Two members of the public were present.

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

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

Mr. Carlstrom stated that he received an email notice from Mr. Petty that he had resigned from the committee citing his business commitments as the reason. Mr. Carlstrom stated that the committee is losing a valuable resource and needed to seek a replacement for the committee.

Mr. Carlstrom reported that he and Mr. Clyde attended the public district consolidation meeting. He said that the meeting laid out a set of principles that included the separation of finances.

Mr. Carlstrom stated that Director Jack Griffiths requested that the committee get involved in the data assumptions contained in the consolidation study. Mr. Carlstrom asked that the committee receive hard copies of the handouts from the consolidation meeting.

***6. APPROVAL OF MINUTES**
A. June 07, 2012

Action:

Moved by Member Clyde to approve the minutes as written. Second by Member Stitle.

After consideration, the motion CARRIED by the following vote:

AYES: Member Clyde, Member Stitle.
NOES: None.
ABSTAINED: Member Carlstrom (due to his absence at the June 7th meeting)
ABSENT: Member Fagan, Member Lucy.

7. UPDATE AND DISCUSSION OF RECENT BOARD MEETING

Mr. Carlstrom said he did attend the board meeting of September 25, 2012. Mr. Carlstrom reported that everyone was already aware that General Manager Seymour announced his retirement for December 2012.

He also reported that the board held discussions regarding the State Revolving Fund Loan and the length of time it would take to place the proposition on the ballot for vote by the customers.

8. DISCUSSION AND POSSIBLE ACTION REGARDING REVIEW OF PROPOSED MONTHLY RATES FOR WATER AND WASTEWATER SERVICES

Mr. Buckley presented worksheets containing the proposed rate increases for the RMWD Board to consider. The rates included pass through increases from Metropolitan Water District as well as San Diego County Water Authority. RMWD's rates reflected a 5% increase to the water commodity charge and a 3% increase to the Operations and Maintenance meter charges. Mr. Carlstrom pointed out that the rate increases contained in the current budget reflected a 5% O&M meter charge and that he preferred that amount presented to the board rather than only 3%.

Mr. Buckley stated that the RMWD Board would be asked to approve the pass through charges at the October board meeting for an effective date of January 1, 2013. He added that the RMWD increases would have to wait until perhaps February for approval due to the need to give customers the adequate Proposition 218 notice. Mr. Carlstrom stated that he would also like to see the RMWD Board approve the pass through portion of the sewer charge. He said the treatment costs from City of Oceanside should be recognized as pass through for purposes of meeting Proposition 218 notification. Mr. Buckley agreed that he would check with legal counsel to get an opinion on the potential pass through of the increased sewer cost.

Member Stitle inquired about alternate sources of groundwater for RMWD. Mr. Lee reported that the District currently has a contractor studying the various options for new sources of water.

Additional discussion ensued regarding price increases and at what level do the growers discontinue their agricultural businesses if the water cost is too high.

Action:

Moved by Member Carlstrom to recommend to the Board that the Committee stands behind the rate increases contained in the budget and the 5-year forecast and that they hold a public meeting as soon as possible to approve the rate increases. Second by Member Stitle.

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Clyde, Member Stitle.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy.

9. INFORMATIONAL UPDATE REGARDING POTENTIAL ANNEXATION AND PROGRESS WITH DEVELOPERS

Mr. Lee stated that late 2014 is still a valid start date for the realization of water capacity fees with the Passerelle development of 850 homes as contained in the 5-year forecast. He also said that the District could see the development of 2,200 homes over the next ten years. Mr. Lee said that Campus Park West is outside the District boundaries but is requesting a water availability letter for the County. He continued that Warner Ranch located partly within the District is in the process of a preannexation agreement with us and that San Luis Rey properties located within the District is in the process of being purchase by Rancon. Rancon is motivated to begin the process of developing this parcel with 250 homes. Mr. Lee reported that the Pardee development, located outside our District, is still in negotiations with Valley Center MWD.

10. INFORMATIONAL UPDATE REGARDING THE STATUS OF THE STATE REVOLVING FUND LOAN

Mr. Lee stated that the State has offered the District a State Revolving Fund loan of approximately \$18,000,000 at an interest rate of 2.09% to paid back over 20 years. The loan represents the cost of the Morro Reservoir Project and the Pala Mesa Tank construction. Mr. Lee addressed the Ordinance 95-1 restrictions and District options to accept the loans within the 60-day response time required by the State.

Mr. Carlstrom said that he could not support borrowing the full \$18,000,000 without a written statement of needs. He stated that the purpose of the borrowing would need to be clearly stated to avoid heat from the various outside factions.

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

This item was deferred to the next regular meeting date due to time constraints.

12. UPDATE AND DISCUSSION REGARDING RMWD ANNUAL FINANCIAL AUDIT.

Mr. Buckley informed the committee that the audit firm had completed the fiscal year 2012 audit and had rendered a clean unqualified opinion. He handed out the draft copy of the audited financial statements along with other internal financial worksheets that reflected the year end results. Mr. Buckley mentioned that the finalized hard copy would be available in the next week or two.

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

Sewer Rates, Consolidation update, Loan update.

14. ADJOURNMENT

Action:

Move by Member Stitle to adjourn. Seconded by Member Clyde.

AYES: Member Carlstrom, Member Clyde, Member Stitle.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Member Lucy

The meeting adjourned at 2:20 p.m.

Larry Carlstrom, Committee Chairperson

Dawn M. Washburn, Board Secretary