

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 6, 2010**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on May 6, 2010 by Chairperson Fagan at 1:00 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028. Chairperson Fagan presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Fagan
Alternate Thomas
Member Lucy
Member Carlstrom
Alternate S. Walson

Absent: Member Duganski
Member Barker

Also Present: General Manager Seymour
Operations and Maintenance Manager Sneed
Finance Manager Buckley
Human Resources Manager Bush
Project Manager Miller
Superintendent Atilano
Superintendent Maccarrone
Assistant Rubio

Members of the public were Ms. Brazier, Mr. Walson, and Mr. Griffiths.

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**

Ms. Walson mentioned customers might sue the District regarding the meter conservation offset issue. Mr. Fagan said the District lawyer was present at the last meeting and did not mention any concern with law suits.

Mr. Fagan stated point of order both the Board and the Finance Committee must approve the minutes.

***6. APPROVAL OF MINUTES**
A. April 8, 2010

Ms. Walson questioned Mr. Lucy's comment regarding larger users on Page 11, Paragraph 8. Mr. Lucy stated the market was going up based on the volume and due to salty water growers are using more water.

Action:

Moved by Member Fagan to approve the minutes. Seconded by Member Carlstrom.

After consideration, the motion CARRIED by the following vote:

AYES: Member Fagan, Alternate Thomas, Member Lucy, Member Carlstrom and Alternate S. Walson.
NOES: None.
ABSTAINED: None.
ABSENT: Member Duganski and Member Barker.

7. REPORT ON COMMITTEE CHANGES OR POTENTIAL NEW COMMITTEE MEMBER(S)

Action:

Moved by Member Fagan to include Ms. Walson as a member for this committee. Seconded by Member Lucy.

After consideration, the motion CARRIED by the following vote:

AYES: Member Fagan, Alternate Thomas, Member Lucy, Member Carlstrom and Alternate S. Walson.
NOES: None.
ABSTAINED: None.
ABSENT: Member Duganski and Member Barker.

8. DISCUSSION AND POSSIBLE ACTION; 2010-2011 BUDGET REVIEW
A. OPERATING BUDGET

Mr. Carlstrom stated the staff acted responsibly with the \$600,000 of cuts to the operating expenses. Mr. Fagan was somewhat concerned that the cuts may possibly be detrimental thereby delaying necessary purchases.

Action:

Moved by Member Lucy to approve the Operating Budget. Seconded by Alternate Thomas.

After consideration, the motion CARRIED by the following vote:

AYES: Member Fagan, Alternate Thomas, Member Lucy, Member Carlstrom and Alternate S. Walson.
NOES: None.
ABSTAINED: None.

ABSENT: Member Duganski and Member Barker.

B. CAPITAL PROJECTS BUDGET

Mr. Seymour noted that the budget for the Beck geotechnical study was reduced to \$200,000. Mr. Walson asked for clarity regarding the projected budget for Beck Reservoir Rehab and the Line Q-3 project. Discussion was held regarding the Line Q-3 project cost including the number of pipelines that RMWD may want to install to best solve the problem.

C. RESERVOIR METER CHARGE CONSIDERATION

Mr. Seymour presented updated information regarding the calculation to fund the reservoir rehab projects. He noted that due to the delay in implementation that the collection period is not compacted to two years rather than the original three year funding scenario. Mr. Seymour's presentation included several rate options.

Action:

Moved by Member Carlstrom to implement the option which begins with a monthly meter charge of \$10.00 charge for 5/8" meters. Seconded by Member Lucy.

After consideration, the motion FAILED by the following vote:

AYES: Alternate Thomas, Member Carlstrom.
NOES: Member Lucy, Member Fagan, Alternate Walson.
ABSTAINED: None.
ABSENT: Member Duganski and Member Barker.

Action:

Moved by Member Lucy to implement the option which begins with a monthly meter charge of \$14.40 for a 5/8" meter and utilizes the SDCWA meter ratios.

After consideration the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Fagan, Member Lucy, Alternate Walson.
NOES: Alternate Thomas.
ABSTAINED: None.
ABSENT: Member Duganski and Member Barker.

D. BORROWING OPTIONS (LONG-TERM DEBT)

Discussion ensued regarding public rates for borrowing and the options to borrow publicly versus internally from the Sewer Fund. Mr. Buckley reported that the public market rate is about 4.7% for 10 or 15 years versus borrowing from the Sewer Fund at 2.5% for 5 years.

Action:

Moved by Member Fagan to borrow \$3.5 million from the Sewer CIP to fund the Q-3 Pipeline project, pursue long-term financing of to pay back the Sewer CIP fund for the Q-3 Pipeline, complete the Beck Reservoir geotechnical study and determine the Beck project cost by December 2010, fund the Reservoir Rehab projects, and assemble a long-term financing team to begin securing the necessary financing.

After consideration the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Fagan, Member Lucy, Alternate Thomas
NOES: None.
ABSTAINED: Alternate Walson.
ABSENT: Member Duganski and Member Barker.

Member Lucy excused himself from the meeting at 3:00 p.m.

E. SEWER RATE RESTRUCTURING

Mr. Buckley distributed the draft proposal for a variable sewer rate structure. Due to the absence of Member Duganski the committee deferred discussions to the next meeting.

F. OTHER WATER RATE CONSIDERATIONS

Mr. Buckley pointed out that the staff budget reductions of \$600,000 offset the need for additional water rates increases. No further discussion was held on this item.

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

10. ADJOURNMENT

The meeting adjourned at 3:20 p.m.

Action:

Moved by Member Carlstrom to adjourn. Seconded by Don Fagan. Carried 4-0.

Don Fagan, Committee Chairperson

Dawn M. Washburn, Board Secretary