

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 12, 2015**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on May 12, 2015 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 Hensley
Member Carlstrom
Member Clyde
Alternate Thomas

Absent: Member Ross
Alternate Lucy

Also Present: Director Brazier

One member of the public was 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

There were no comments.

***6. APPROVAL OF MINUTES**

A. April 14, 2015

Action:

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

After consideration, the motion CARRIED by the following vote:

AYES: Member Stitle, Member Hensley, Member Carlstrom, and Alternate Thomas
NOES: Member Ross and Member Lucy
ABSTAINED: Member Clyde
ABSENT: None

7. RAFTELIS UPDATE

Mr. Kennedy reported the Board approved the contract at their last meeting with the recommendation of this committee. He noted there will be a kick-off meeting on Wednesday, May 13th after which they would like to compile some data to provide at the next committee meeting.

Mr. Kennedy stated Raftelis will take a look at RMWD's current forecast in terms of the rate setting. He talked about the drought and how it was unknown what impacts it will have water sales.

8. STRATEGIC PLAN UPDATE

Mr. Kennedy reported the Board approved the strategic plan and he will be having another kickoff meeting on Wednesday, May 13th. He stated they will be setting schedules for Michele Tamayo meet with the different committees and Board Members as well as strategic planning workshops. He noted they will also be planning 1-3 public outreach workshops in the evenings if people want to participate.

Harry Stitle stated he has heard fewer complaints regarding RMWD recently.

9. BOARD MEETING REVIEW

Mr. Kennedy mentioned there was a drought update, the Raftelis and Tamayo Group contracts were approved respectively, engineering fees were changed, and a detailed discussion about the Beck UV project. He talked about the Proposition 1 funding requirements and how it applies to getting new water resources; therefore, the Beck Reservoir project would be low on the Prop 1 list of priorities.

10. LAFCO UPDATE

Mr. Kennedy stated there was not a great deal going on with the LAFCO matter; however, RMWD was sending a letter to LAFCO inquiring as to why the process was taking so long as well as noting the economic impacts this is having on the District. He talked about the Resolution of Objection RMWD submitted to LAFCO and how any valid objection should be given great weight as well as honored by LAFCO.

Mr. Stitle asked if LAFCO had commented on Ordinance 95-1. Mr. Kennedy stated LAFCO has not responded to this in detail. Discussion ensued regarding the group of citizens that started Ordinance 95-1 and what steps were taken at that time to pass the ordinance.

11. MONTHLY FINANCIAL REPORT

Ms. Thomas pointed out RMWD's spending as far as operating expenses were approximately 10% below the year-to-date budgets, but the operation revenue was over by approximately 11%.

Mr. Kennedy confirmed the water sales were just over 17,000 acre feet; however, billing was currently being processed.

12. WATER RESTRICTION UPDATE ON RATES AND IMPACT ON WATER METER AND SALES

Mr. Kennedy referenced a document he handed out which he continued to explain SDCWA's has a very complex allocation system formula and additional information contained in the document.

Discussion ensued regarding rate stabilization funds, setting meters, offset programs, drought proclamations and water allocations, Transitional Special Agricultural Water Rate (TSAWR), etc.

Mr. Kennedy spoke about the Governor's decision to protect the delta.

Mr. Clyde asked if Caltrans using any RMWD water during the construction project and if so, how will that impact the District. Mr. Kennedy explained Caltrans is mainly using ground water for their project and are supposed to be using recycled water whenever possible.

Mr. Clyde inquired about the new development projected for along Interstate 15. Mr. Kennedy stated he has spoken with all the developers over the last couple weeks regarding meters not being restricted as of yet. He noted September 2015 was the anticipated date for D.R. Horton to start grading and the college would not start construction for another 2-3 years.

Discussion ensued regarding the potential water use cutbacks and how these are being addressed by RMWD as well as other local agencies.

Mr. Kennedy said the message that needs to be relayed to the ratepayers is to do what they can to conserve and even though RMWD has the supply (irrespective of what has been stated in the media) every gallon conserved this year will be the District will have for next year in the event the drought continues. He noted we are in a historic drought; however, this is the drought planned for with San Diego County spending \$3 billion in preparation.

Mr. Clyde inquired as to how TSWAR customers will be able monitor their individual usage on a month-to-month basis. Mr. Kennedy explained the allocation system RMWD has in place to monitor usage. Discussion followed.

Discussion ensued regarding some of the options SDCWA was exploring regarding the drought situation. Mr. Kennedy noted there was a meeting scheduled at SDCWA from which some information should be available for the next Board meeting along with a report from Raftelis.

Mr. Clyde expressed concern about the TSWAR customers will be faced with a mandatory 15% reduction and everyone else will be on a voluntary conservation effort. Mr. Kennedy explained this was the recommendation; however, the local agencies are working together to make sure they are doing things about the same way to defend themselves in this matter.

13. CIP/LONG TERM PLAN UPDATE

Mr. Kennedy reported work continues on the Master Plan with a full report expected to be given at the June 3, 2015 Engineering Committee meeting which will also be shared with the Budget and Finance Committee. He explained an analysis was being conducted. He also talked about the five options being explored.

14. REVIEW OF GROUNDWATER MATTERS

Mr. Kennedy spoke of the conference call held with West Yost who was wrapping up their work on the groundwater study. He talked about some of the report findings as well as the options available for treating the water. He noted there were some exciting opportunities available and now staff was waiting for the consultants to finish up their work which will assist with the Master Planning and Strategic Planning processes.

15. DISCUSSION AND POSSIBLE ACTION REGARDING FISCAL YEAR 2015-2016 BUDGET

Ms. Thomas noted copies of the draft budget were provided to the committee for their review.

Mr. Carlstrom inquired about the total expenditures budgeted for Fiscal Year 2014/2015 in the amount of \$12 million estimated for Beck Reservoir which was again budgeted for Fiscal Year 2015-2016 at \$5 million and for Fiscal Year 2016/2017 at \$3.6 million. Mr. Kennedy clarified how staff arrived at these amounts for the reservoir. Discussion followed.

Discussion ensued regarding the reserve funds, investments, and cash flow.

It was noted the Capital Budget has not yet been completed.

Discussion took place regarding the Master Plan and how that will assist with budgeting.

Ms. Thomas explained how the budget books have been prepared with the back sections being linked to the summary pages found in the front. She continued to walk the committee through the budget noting the numbers were based on 18,000 acre feet in water sales. Mr. Kennedy added the budget was prepared using the District's current rate structure without projecting any rate increases. Ms. Thomas explained the numbers found on the far left side is the amount RMWD will have to pay SDCWA per acre foot.

Mr. Kennedy noted the IAWP amounts should be scratched from the budget due to the fact the program has ended.

Discussion ensued regarding the SWAR numbers reflecting the 15% savings.

Mr. Kennedy noted the Board would first review the budget at their May 26th meeting and after all the changes from the Board and Budget and Finance Committee are made, it will be brought to the Board for final approval at their June 23rd meeting.

It was noted the numbers earmarked for capital expenditures will need to be refined.

Mr. Kennedy talked about some of the potential changes that will take place on the personnel portion of the budget. He explained the engineering department was lacking in staffing right now; therefore, he wants to build in an additional position that will be paid for mainly through the Capital Improvement Program and development projects. He noted 10%-15% of the costs will be in the operating budget, but most of the salary and benefits will be paid out through CIP and developer projects. He also noted he was switching around some of the positions including bringing in a senior level finance position.

Mr. Carlstrom reiterated concerns about cash flow and reserves. Mr. Kennedy assured Mr. Carlstrom the report from Raftelis will be able to provide additional information to assist with these two areas.

Mr. Kennedy pointed out he plans to strengthen the personnel in the administrative areas including hiring a proper human resources position to assist as well as administrative analyst to address the drought, conservation, records management, and other sources of information/reporting.

Mr. Kennedy explained the main takeaway from the budget review was staff tried to budget conservatively as far as sales are concerned. He noted RMWD made a 10% cut in its budgeted sales and expenses have remained the same without increasing rates.

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

Pam Moss introduced herself to the committee noting she was an active real estate broker in the area. She gave a brief breakdown of her background and how her being in real estate could be beneficial to the District for getting information out to and educating the public. She expressed an interest in joining the Budget and Finance Committee and was encouraged by Mr. Kennedy to attend a few more meetings before seeking appointment.

17. ADJOURNMENT

The meeting was adjourned by a motion made by Member Carlstrom and seconded by Member Stitle.

The meeting adjourned at 3:00 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary