

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 1, 2012**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Carlstrom on November 1, 2012 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Carlstrom presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Carlstrom
Member Clyde
Member Stitle

Absent: Member Fagan
Member Lucy

Also Present: General Manager Seymour
Assistant General Manager Lee
Finance Manager Buckley
Senior Accountant Thomas
Associate Engineer Plonka
Director Brazier

There were three members of the public present.

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**

Mr. Carlstrom said he would like to consider increasing the membership on the committee back to 7. He mentioned currently it was reduced to 5 members due to recent vacancies. He said this committee provides valuable information to the District. He asked Mr. Clyde and Mr. Stitle to provide a brief summary of their backgrounds.

Mr. Seymour mentioned the Brown Act regulations apply to those in this quasi-governmental committee and to keep in mind a disclosure statement must be completed by members.

Three customers of the District were in attendance. Each of them expressed interest in becoming members of the committee. Mr. Carlstrom asked the three individuals to briefly introduce themselves and give a brief summary of their interest and background.

Randy Ross: Has lived in Fallbrook for the past 3 years. He currently is involved in sales and marketing. Prior to that he had performed financial work.

Peter Hensley: Has lived in Fallbrook 15 years; is treasurer of the homeowners association and a CPA for 32 years, after retirement became a certified financial planner for 15 years

Debra Edingfield arrived a few minutes later. She stated that she is a retired teacher and wishes to become more involved in the community.

***6. APPROVAL OF MINUTES**

A. October 4, 2012

Action:

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

After consideration, the motion CARRIED by the following vote:

AYES: Member Carlstrom, Member Clyde and Member Stitle.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan and Member Lucy

7. UPDATE AND DISCUSSION OF RECENT RMWD BOARD MEETING

Mr. Clyde provided a brief summary of the following Board agenda items. The approval of the \$18,000,000 State Revolving Fund loan, Dave Seymour's decision to stay on with the District until March 1, 2013, the presentation and acceptance of the final audit report, the approval of the pass-through water rates, and the commission of a study for the sewer land outfall project.

8. DISCUSSION AND POSSIBLE ACTION REGARDING RMWD LONG-TERM BORROWING AND STATE REVOLVING FUND UPDATE

Mr. Carlstrom stressed the importance of the loan and financial stability that the loan affords the District over the next several years. Mr. Lee stated that the District is currently debt free due to the payoff of the previous ARRA loan. The documents for the \$18 million loan will be sent to the State November 2, 2012. He added that we should be able to submit pay requests fairly quickly since the majority of the projects has been completed and paid for. He said that the first request will be for approximately \$7 million.

9. INFORMATIONAL UPDATE REGARDING POTENTIAL ANNEXATION AND PROGRESS WITH DEVELOPERS (BRIAN LEE)

Mr. Carlstrom summarized the efforts and value of expanding the District by way of development projects that are in process. Mr. Lee summarized the existing known projects. Passarelle (Campus Park) consists of 850 units. They expect to break ground in spring 2013 at a build rate of 250 units per year. He added that D. R. Horton will be the builder. San Luis Rey Downs has been purchased by RanCon and will consist of about 250 units. Their start date is uncertain. Pappas (Campus Park West) has signed a preannexation agreement with the District and is working with LAFCO to secure the formal annexation approval which could

take about a year to complete. Warner Ranch, near the Pala Casino, consisting of 700 units is very interested in receiving water and sewer services from Rainbow. Their project is two or three years out. Part of their development is within the District and part of it is outside the District. The Pardee (Meadowood) project is most likely going to end up annexing with the Valley Center MWD. The San Diego County Water Authority has formally accepted their proposal to receive water from Valley Center.

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

Mr. Lee updated the committee stating that the new Pala Mesa tank will be filled with water starting next week and should be fully functional by early December 2012. The completion of the tank will then get us out from under the monitoring of the California Department of Public Health.

11. UPDATE AND DISCUSSION REGARDING POTENTIAL CONSOLIDATION OF WATER DISTRICTS (DAVE SEYMOUR, BRIAN LEE)

Mr. Seymour stated that we are moving forward. He added that the consolidation is taking longer than a lot of people anticipated so the two districts are looking at an interim step of forming a Joint Powers Authority which would provide some of the savings that were outlined in the study. He said that he will present some of the early JPA studies to the board at the November meeting. Mr. Seymour said that the JPA formulation could be completed in six months.

Mr. Carlstrom called for a break at 2:00 p.m.

The meeting reconvened at 2:08 p.m.

12. REVIEW AND DISCUSSION OF UPDATED 5-YEAR FINANCIAL FORECAST

Mr. Carlstrom explained the general background and purpose of the forecast. He introduced some new variables that will be necessary to insert into the plan, primarily the effect of the \$18 million SRF loan. Discussion followed regarding the potential to reduce or eliminate the reservoir surcharge enacted two years ago. It was agreed that Mr. Carlstrom, Mr. Buckley and one other committee member would make refinements to the 5-year forecast and present a number of scenarios to the committee and subsequently present the outcome to the Board.

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

Membership considerations, 5-year forecast, JPA study.

14. ADJOURNMENT at 2:50 p.m.

The committee agreed to change the date of the next meeting to December 4, 2012.

Larry Carlstrom, Committee Chairperson

Dawn M. Washburn, Board Secretary