

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MARCH 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 March 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 Lucy
Member Carlstrom
Member Clyde
Member Stitle
Member Petty

Absent: Member Fagan
Alternate Duganski
Member S. Walson

Also Present: General Manager Seymour
District Engineer Lee
Finance Manager Buckley
Accountant Thomas
Superintendent Miller
Superintendent Maccarrone
Superintendent Walker
Human Resources Manager Bush
Executive Assistant Washburn
Director Brazier

Three members of the public were present.

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

Mr. Petty acknowledged the recent passing of Gerald Walson and although they may have not agreed on everything, he and Gerald always agreed on key items. He said he would personally miss Mr. Walson as he was an asset to RMWD and he was sorry to see him go.

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

Mr. Carlstrom echoed Mr. Petty's sentiments regarding Mr. Walson. He mentioned how the Board spoke at the February 28th Board meeting of all the hard work Mr. Walson had done as well as his dedication he had when it came to RMWD. He said Mr. Walson was an asset and will certainly be missed.

*6. **APPROVAL OF MINUTES**

A. February 2, 2012

Mr. Clyde mentioned how under Item #11 credit was given to him when it should have been Mr. Carlstrom.

Mr. Carlstrom pointed out the word “always” on Page 3 should be “already” and “appears” on Page 2 should read “appears to”.

Action:

Moved by Member Petty to approve the minutes as revised. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

AYES: Member Lucy, Member Carlstrom, Member Clyde, Member Stitle and Member Petty.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Alternate Duganski and Member S. Walson.

7. UPDATE AND DISCUSSION OF RECENT BOARD MEETING

Mr. Carlstrom mentioned the Board’s appointment of Ms. Brazier to the Board of Directors due to the recent passing of Mr. Walson. He noted Director McManigle was appointed as President, Director Sanford as Vice President, Director Brazier as Board Secretary, and Mr. Buckley as Treasurer.

Mr. Carlstrom read aloud the three committee recommendations he provided at the February 28, 2012 Board meeting on behalf of the Budget and Finance Committee. Mr. Carlstrom stated that he thought the Board was amenable to the smaller meter sizes and the potential annexation of Campus Park West, but that the Meadowood annexation would require a lot more time and work for all parties involved. Discussion ensued. Mr. Lee stated that the Meadowood annexation was removed from the RMWD Board agenda due to earlier agreements with Pardee. Mr. Seymour said that we will be processing all the required annexation steps through LAFCO.

8. UPDATE AND DISCUSSION OF YEAR-TO-DATE FINANCIAL STATEMENTS

Mr. Buckley distributed a packet of documents displaying RMWD financial activity through January 31, 2012. He said that the District has drawn very close to meeting budgeted water units sold and coinciding revenues. He briefly introduced two new spreadsheets which separate the water and sewer operations financial activity from all other transactions. Mr. Carlstrom said he thought these were useful. Mr. Buckley also referred to the five-year forecast; he stated that he had added a new column which reflects the current year operations for comparison to the forecast.

Mr. Lee presented his analysis and recommendation for the capacity charges for the 5/8" and 3/4" meters that RMWD is proposing to sell to customers that meet lot size qualifications. He reiterated the reasons and methodology for the offering of the smaller meter sizes. Discussion ensued. Member Petty asked how this would affect agricultural growers. Mr. Lee stated that these sizes were more suited for residential homes on small parcels. Mr. Petty asked what would happen with current residential homeowners who have wanted to downsize their meters to receive the lower monthly charge. Mr. Lee responded that they would be able to request having the meter downsized, but that the customer would have to meet the qualifying lot size factors. Mr. Lee stated that he estimated that there are approximately 1,000 existing meters that could meet the lot size requirements.

Brett Ames talked about the current Board's positive attitude regarding the potential development in the area. Discussion followed.

Action:

Moved by Member Petty to support staff recommendation for the proposal in regards to the reduction in meter sizes recognizing the Engineering Committee still has to help develop how the proposed will be implemented. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

AYES: Member Lucy, Member Carlstrom, Member Clyde, Member Stitle and Member Petty.

NOES: None.

ABSTAINED: None.

ABSENT: Member Fagan, Alternate Duganski and Member S. Walson.

9. DISCUSSION AND POSSIBLE ACTION REGARDING BUDGET YEAR 2012-13 ASSUMPTIONS AND PROJECTIONS

Mr. Buckley distributed a list of key budget components. He explained how he arrived at the budgeted water units for 2012-13. He said that various factors such as the termination of the agricultural discount programs by Metropolitan and SDCWA would likely cause some growers to reduce the size of their operations. Mr. Buckley stated the proposed budget included the 5% rate increases for commodity and meter rates which were part of the five-year forecast. He pointed out that these two increases could generate \$472,000. Discussion ensued regarding the pass through costs from Metropolitan. Mr. Buckley stated that Metropolitan's preliminary forecast of a two-year 14.9% rate increase is very close to the projection 7.5% annual projection contained in the committee's five-year forecast. Mr. Buckley pointed out the rate table which displays that the combination of Metropolitan and RMWD increases will raise the commodity rate from \$2.75 per unit to \$2.95 by January 1, 2013. He noted that the RMWD portion only represents \$0.03 of the increase.

10. DISCUSSION AND POSSIBLE ACTION REGARDING AUDIT FIRM SELECTION

Mr. Buckley presented a summary of the nine qualified CPA firms that responded to the Request for Proposal.

Action:

Moved by Member Carlstrom to recommend the selection of Hosaka, Rotherham & Co. as the District's audit firm. Seconded by Member Stitle.

After consideration, the motion CARRIED by the following vote:

AYES: Member Lucy, Member Carlstrom, Member Clyde, Member Stitle and Member Petty.
NOES: None.
ABSTAINED: None.
ABSENT: Member Fagan, Alternate Duganski and Member S. Walson.

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

12. ADJOURNMENT

Action:

Moved by Member Stitle to adjourn the meeting. Seconded by Member Clyde.

After consideration, the motion CARRIED by the following vote:

AYES: Member Lucy, Member Carlstrom, Member Clyde, Member Stitle and Member Petty.
NOES: None.
ABSTAINED: None.
ABSENT: Member Fagan, Alternate Duganski and Member S. Walson.

The meeting adjourned at 2:49 p.m.

Larry Carlstrom, Committee Chairperson

Dawn M. Washburn, Board Secretary