

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
SEPTEMBER 10, 2019**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on September 10, 2019 by Chairperson Stitle 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 Ross, Member Hensley, Member Gasca, Alternate Nelson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent.

Absent: Member Moss, Customer Service Supervisor Rubio.

Two members of the public were present.

4. **SEATING OF ALTERNATES**

Mr. Stitle seated Mr. Nelson as an alternate.

5. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**

Mr. Stitle mentioned Mr. Kennedy requested an item be added to discuss the Building Two flood as Item #14A.

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

There were no public comments.

7. **COMMITTEE MEMBER COMMENTS**

Mr. Stitle commented on a what transpired at the recent Engineering and Operations Committee and how it felt as though the committee was being publicly condemned as a group. He said although he did not believe it was intentional by Ms. Brazier, when she suggested the committee was wasting a great deal of RMWD's time, staff and money by being involved in matters they should not be, he personally took it as an affront. He pointed out the committee works at the pleasure of the Board and should the Board have an issue, they can get rid of the committee or members at any time. He stated he likes the people, the organization, and enjoys being involved with both and suggested any negative comments be shared in private as opposed to in public as they are inappropriate, ongoing, and noticeable.

***8. APPROVAL OF MINUTES**

A. August 13, 2019

Mr. Stitle noted in Item #15, the first sentence needed revising and the word “was” should be “is” in the last sentence.

Motion:

To approve the minutes as revised.

Action: Approve, Moved by Member Hensley, Seconded by Member Gasca.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Member Stitle, Member Ross, Member Hensley, Member Gasca, Alternate Nelson.

9. RATE MODEL PRESENTATION BY IB CONSULTING

(The name of the firm was corrected in these minutes to IB Consulting.)

Mr. Kennedy stated IB Consulting will be presenting a new and improved version of the rate model Raftelis had prepared. He explained this first meeting will serve as a refresher as well as to start the analysis process for forecasting rate impacts of possible detachment from SDCWA.

Ms. Boehling introduced herself and thanked the committee for their time. She gave a brief presentation starting with a reminder that utility rates are governed by Proposition 218 which means the rates are tied to the cost of service with no additional charges than those incurred. She also pointed out the importance of Government Code Section 53756 to RMWD in that it allows the District to automatically pass through increases outside of its control without going to a whole new Proposition 218 hearing or full cost of service study.

Ms. Boehling mentioned the main objective of the study is to examine impacts of purchased water suppliers as well as ensure the short term and long term financial health of the utility, develop equitable rates in compliance with Proposition 218. She pointed out an administrative or study report will be created for defensibility purposes should that become necessary.

Discussion ensued regarding the steps involved with the cost of service study as well as challenges involved with revenue instability including what steps can be taken to help mitigate those challenges.

Discussion took place regarding the possibility of including a new separate component on customer billing statements.

Ms. Boehling concluded the framework portion of the presentation and moved on to present information on competing pricing objectives. Mr. Nelson inquired if there is a basket of generic data Ms. Boehling can access that speaks to the elasticity of demand with respect to price. Discussion followed.

Ms. Boehling encouraged any input or concerns related to the information provided be shared with her or Mr. Kennedy. She added the next step will be to review financial plan details at the next committee meeting.

Ms. Boehling gave a progress report noting the kick off meeting has been completed, staff has fulfilled her data request list, and now she awaits a little more data to be produced by the District. She explained a great deal of the heavy lifting has already occurred; however, there will be more when the evaluating consumption fixed charge analysis begins.

Discussions ensued regarding how to proceed, complying with future and existing mandatory regulations, noticing, and communications.

10. FINANCIAL SOFTWARE IMPLEMENTATION UPDATES

- A.** Infor Public Sector Utility Billing
- B.** Infor CloudSuite Financials
- C.** EAM Purchase Order Module

Ms. Largent reported billing was being completed close to on time for Cycle 1 and Cycles 2 and 3 will bill on time. She noted staff has been working on dynamic portal cleanup based on customer feedback and that credit cards were added in late August. She explained the dynamic portal has been ideal and although there will not be any changes made right now, other options were being explored.

Ms. Largent stated she was in the process of building financial reports. She noted a three-way match will be added linking CloudSuite Financials to EAM purchase orders in late October.

Mr. Gasca inquired as to how many queries or complaints has the District received. Ms. Largent explained the varies types of calls Customer Service has received. Mr. Gasca requested a breakdown on the types of calls and how many be provided at the next committee meeting.

***11. DISCUSSION REGARDING COMMITTEE MEMBER REAPPOINTMENTS ACCORDING TO ADMINISTRATIVE CODE CHAPTER 2.09 – COMMITTEES**

Mr. Kennedy explained in reviewing the committee policy, it was realized every four years the committee members should be reappointed. He said in order to ensure compliance with the Administrative Code, the committee members subject to reappointment should make it known at this meeting or notify Ms. Washburn of their desire to be reappointed for Board consideration.

Mr. Kennedy also asked the committee members to review the policy language and bring forward any proposed changes to staff so they can be incorporated into one amendment to the policy for Board deliberation.

12. OUTSTANDING CONSTRUCTION UNITS REPORT

Ms. Largent noted this report will be included as a recurring item for the committee to review. She explained the report will keep the committee updated for budgeting and rate analysis purposes. She explained RMWD has taken a pretty conservative approach and may include projects already started or completed.

Discussion returned from Item #13.

Mr. Nelson asked for clarification on the revenue projections and total EDU's. Mr. Kennedy stated this report appeared to need to be reformatted, revised and updated by Mr. Strapac. Mr. Nelson suggested the total revenue by fiscal year be included in the report.

Discussion returned to Item #12.

13. REVIEW THE FOLLOWING:

- A. Statement of Revenue and Expenses
- B. Balance Sheet
- C. Treasurer's Report

Ms. Largent noted Items #13A and #13B were not provided, but rather a checklist has been handed out.

Mr. Stitle inquired about the status of the audit. Ms. Largent stated the auditors will be at RMWD the week of October 7, 2019 and how she has requested a full actuarial report this year.

Discussion returned to Item #12.

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Ms. Largent mentioned the foundational work completed to that will assistance with year-end financials as well as serve as a better communication tool.

14. MEMORANDUM OF UNDERSTANDING WITH EASTERN MUNICIPAL WATER DISTRICT UPDATE

Mr. Kennedy reported RMWD, FPUD, and EMWD have all approved and executed the MOU establishing the terms and conditions related to EMWD's participation in the process to annex into their service area. He mentioned a meeting was held with SDCWA which resulted in SDCWA requesting a proposal be delivered in terms of what fees RMWD and FPUD should pay to detach from SDCWA. He explained RMWD had written a memo to SDCWA asking them to provide direction in how any exit fees should be calculated after which time SDCWA attended RMWD's board meeting to say what was received was not an offer. He mentioned at the last SDCWA Board meeting he and Mr. Bebee were required to pull speaker slips in order to address this matter with the SDCWA Board prior them adjourning to Closed Session. He stated he was optimistic this matter could be resolved without incurring legal costs and wasting ratepayer money; however, SDCWA did approve spending \$1 Million in legal costs to oppose the detachment.

Mr. Kennedy explained the plan was to bring the resolution and applications to the Board in September for consideration; however, based on the forecast of \$1 Million for attorneys, the Ad Hoc Committee will want to meet again to discuss the next steps.

Mr. Ross asked if SDCWA was concerned other agencies may detach as well. Mr. Kennedy explained RMWD and FPUD were the only agencies not reliant on SDCWA water supply; therefore, there may not be opportunity for other agencies to detach.

Mr. Kennedy reiterated said when you look at RMWD's financial and capital plans, respectively, absent of being able to have a game changer on fixed costs related its water supply, RMWD ratepayers are going to face challenges with rates substantially increasing should the detachment not be secured. He mentioned should the detachment not take place, RMWD may need to look at alternatives such as implementing a tax assessment charge.

Discussion ensued regarding pumping water during the SDCWA emergency shutdown as well as the impact to follow once the repair has been completed.

14A. UPDATE ON THE RMWD BUILDING 2

Mr. Kennedy updated the committee on the recent water damage to the District offices in Building 2 including the discovery of asbestos. He noted the estimate for removing asbestos totaled approximately \$85,000 to start and an additional \$60,000-\$70,00 for replacement of walls, moving, etc. He pointed out all employees have been relocated out of the building and how he would be bringing this matter to the Board to discuss how to best address this matter including possible condemning or demolishing the building.

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

It was noted updates on the audit, rate modeling, financial software, MOU with EMWD, as well as a breakdown of calls received by Customer Service and SB998 changes be on the next committee agenda. Ms. Largent suggested the surplus property report be listed under Item #13 as a recurring item.

16. ADJOURNMENT

The meeting was adjourned by Chairperson Stitle.

The meeting adjourned at 2:53 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary