

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 9, 2018**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on October 9, 2018 by Chairperson Stitle in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:02 p.m. Chairperson Stitle presiding.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL:

Present: Member Stitle, Member Hensley, Member Moss, Member Gasca, Alternate Nelson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Customer Service Supervisor Rubio, Acting Finance Manager Collup.

Absent: Member Ross.

One member of the public was present.

4. SEATING OF ALTERNATES

It was noted Mr. Nelson would serve as an alternate at this meeting.

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

There were no changes to the agenda.

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

There were no comments.

COMMITTEE ACTION ITEMS

7. COMMITTEE MEMBER COMMENTS

Ms. Moss shared how much she appreciated the Flume device she recently had installed.

***8. APPROVAL OF MINUTES**

A. September 11, 2018

Motion:

To approve the minutes.

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

Vote: Motion passed (summary: Ayes = 4, Noes = 0, Abstain = 1).

Ayes: Member Stitle, Member Hensley, Member Moss, Alternate Nelson.

Abstain: Member Gasca.

9. LEAK POLICY REVIEW (INTERNAL METRICS ON FREQUENCY AND POTENTIAL COST OF POLICY)

Mr. Kennedy noted this policy was reviewed by the Communications and Customer Service Committee who in turned provided some comments. He explained staff was looking of some of the metrics involved with calculating adjustments.

Ms. Rubio pointed out the Communications and Customer Service Committee expressed a need to have the customers show they tried to mitigate the leak as soon as possible.

Mr. Kennedy explained when these complaints come to the District, staff reviews the customer's usage history to determine if an actual leak occurred or if there were other circumstances such as changes in weather conditions. He stated the current Administrative Code does not provide staff with any lead way to give any allowances; therefore, staff would like committee input to help build a framework of rules for which staff can follow.

Discussion ensued regarding variable costs.

Ms. Moss recommended putting a courtesy leak adjustment was available on water use, but not fixed charges right up front instead of in the fine print of the fixed charges. She said this may be critical for eliminating misunderstandings between the customer and staff. She suggested making the metrics less complicated by offering a percentage of the water used which would not include the fixed charges.

Mr. Kennedy offered to reformat the draft policy based on these discussions.

Ms. Rubio pointed out a great deal of the similar language provided at other agencies has been incorporated into this draft policy with the exemption of how much of discount was offered and how often discounts would be allowed.

Mr. Nelson asked where in the policy would it indicate the actual benefit. Ms. Rubio explained there would not be a specific percentage provided in the actual policy due to the wholesale rate changing each year.

Mr. Gasca inquired as to why five years was selected. Ms. Rubio stated this was the most popular timeframe provided by other local agencies. Ms. Moss explained most failures will happen within the first five years; therefore, this seemed to be a fair amount of time. It was decided five years would be the most appropriate.

Mr. Kennedy noted the suggested changes would be included in the updated draft, the formatting would be completed, and a new version would be provided at the next committee meeting.

10. ALLOCATION OF SURPLUS RESERVES

Ms. Rubio summarized the reserve policy handouts provided to the committee. Discussions ensued regarding the projected reserves.

11. ABM UPDATE

Mr. Kennedy reported the bond documents were being prepared to be presented at the October 23, 2018 Board meeting. He clarified the interest rate is 3.18%. He solicited the committee for input regarding the requirement for a debt relief fund for the lease and a one year of the debt serve being required for the bond totaling \$615,000 to be held in reserve at the bank. He stated the \$615,000 can either be added to the proceeds of the note to be used to pay the last one; however, RMWD would incur interest on that amount for the entire period. He noted the other option would be for RMWD to fund the \$615,000 itself which staff found would save the District \$180,000. He explained the \$615,000 would come from the District's capital reserve, put into an escrow account with the bank to hold, and then be used to make the final payment. He mentioned having the District fund the \$615,000 was going to be his recommendation to the Board; however, should the committee not agree, he would revise his recommendation.

Motion:

To recommend the District self fund the debt service coverage reserve.

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

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

Ayes: Member Stittle, Member Hensley, Member Moss, Alternate Nelson, Member Gasca.

Mr. Kennedy asked if anyone has received feedback on the information published in The Village News related to the possible repeal of Ordinance 95-1. It was noted there has been no feedback received.

12. WELLS AND APPLICATIONS PROCESS UPDATE

Discussion ensued regarding the feedback received from customers regarding The Village News article published related to water rights.

Mr. Kennedy reported the ordinance related to discussion of water rights transfers as a condition of service has been issued. He noted one thing not conveyed in the published article was the District and the Board did not say there would not be compensation for these water rights and by having the ordinance in place would serve as a starting point for discussion.

Discussion ensued regarding water laws.

13. INVESTMENT PORTFOLIO SECURITIES DISTRIBUTION UPDATE

Ms. Rubio referenced the Treasurer Report provided in the handouts as well as noted Ms. Collup's listing of all the maturities for RMWD's investment. Mr. Kennedy pointed out some monies were moved into shorter term securities at the advice of the person who does RMWD's investing.

It was noted some of the next interest payments listed have passed. Mr. Kennedy said staff would address this concern with the securities firm.

Mr. Kennedy reported Ms. Collup has done a great job for RMWD during the recruitment of a new finance manager as he announced a new finance manager has been selected.

14. CAPITALIZATION POLICY REVIEW

Ms. Rubio noted this was the same policy reviewed at the last committee meeting at which time it was suggested this be sent to the auditors. She reported she did send it to them; however, she has not yet received any feedback to date. She stated once the audit process is complete, she will follow up on the policy.

15. CODE OF ETHICS AND CLIMATE CHANGE POLICIES REVIEW

Mr. Kennedy reviewed the two policies updated and added by the Board at their last meeting. He pointed out the matter of personal interest was included to outline the specific things Board and committee members need to steer clear of and when to recuse themselves from discussions. He talked about the purpose of the Climate Change Policy.

16. REVIEW THE FOLLOWING:

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow
- D. Treasurer's Report

Ms. Rubio pointed out the Overall Net Income has been corrected per the previous committee meeting's discussions.

Mr. Nelson referenced Page 2 of the General Ledger an electronic payment for \$2.7 Million. Mr. Kennedy stated this was a payment to San Diego County Water Authority.

Mr. Nelson inquired as to what other revenues would include. Ms. Rubio explained most of these are property tax revenues along with smaller revenues received such as grants, monies from fleet auctions, etc.

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

It was noted a review of the audit, water rates, and Capitalization Policy need to be on the next committee agenda.

18. ADJOURNMENT

The meeting adjourned at 2:20 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary