

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 10, 2020**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on November 10, 2020 by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Hensley, Member Johnson (*via video teleconference*), Member Nelson, Member Ross (*via video teleconference*).

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Information and Technology Specialist Espino.

Absent: Member Gasca, Member Moss.

One member of the public was present via teleconference or video teleconference.

4. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

Mr. Nelson read aloud the instructions to those attending the meeting via teleconference or video conference.

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

There were no amendments to the agenda.

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

There were no comments.

*7. **APPROVAL OF MINUTES**

A. October 13, 2020

Motion:

To approve the minutes.

Action: Approve, Moved by Member Johnson, Seconded by Member Ross.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

Ayes: Member Hensley, Member Johnson, Member Nelson, Member Ross.

Absent: Member Gasca, Member Moss.

8. GENERAL MANAGER COMMENTS

Mr. Kennedy commented on the data provided to RMWD from SDCWA related to anticipated water sales for 2021 noting the forecasts were overly optimistic. Discussion ensued regarding what goes into making these current forecasts as well as the results of those made in the past.

Mr. Kennedy also mentioned this committee now faces a membership conflict with the potential of two Board Members serving on this committee once the elections are certified at which time one of those elected officials will need to step down from serving on this committee. He explained this matter will be brought to the Board in December to provide for an opportunity to make the necessary appointments.

Discussion returned from Item #13.

Mr. Kennedy mentioned a market study for the current land on which the District headquarters are located has been completed. He said the results of the study show the highest value for this land would be to develop it as single family residential. He pointed out if this land could be titled to become residential, it could possibly sell for approximately \$18M-\$20M. He stated if this happened, the monies could be used to fund a new headquarters facility at an undisclosed location as well as other projects. He mentioned any updates related to this matter will be brought to this committee as they develop.

Ms. Johnson asked how many acres the District will need for the new headquarters. Mr. Kennedy stated the District may not more than fifteen acres; however, there would need to be enough space to accommodate and operate the agency effectively.

Discussion went to Item #14.

9. FINANCE MANAGER COMMENTS

Ms. Largent noted the transition from the TSWAR to PSWAR programs through SDCWA was not on this agenda; however, staff was working with other local agencies to discuss cohesive communications to send out to all the ratepayers of each district. She noted only 30% of the data provided from SDCWA matched RMWD's data; therefore, there was some concern which is why staff wants to be very proactive in communications with the public to ensure proper transitioning.

Ms. Largent mentioned the next committee meeting is scheduled for December 15, 2020 due to scheduling conflicts with the December 8th Board Meeting. She mentioned this schedule does not provide for an opportunity for the Comprehensive Annual Financial Report (CAFR) report to be reviewed by the committee; however, she will email it to the committee members. The committee decided to keep the December 15th meeting date.

10. COMMITTEE MEMBER COMMENTS

There were no comments.

11. DISCUSSION REGARDING POTENTIAL RATE CHANGES

Ms. Largent explained the letter provided would be that going out to the ratepayers upon Board approval at their December meeting. She pointed out there were no local increases, only SDCWA pass-through fees that have already been incorporated as part of the budget.

***12. CASH RESERVE POLICY 5.03.220 COMPLIANCE REPORT**

Ms. Largent referenced the information letter provided in the agenda packet noting this was a required reporting to the Board every year following completion of the audit.

Mr. Nelson expressed concern with the rate stabilization reserves being exhausted. Ms. Largent explained the monies were being used to fund the Water capital fund.

Mr. Nelson inquired as to the actual expenditures for capital projects. Ms. Largent offered to provide a monthly capital expenditures report to this committee.

13. AUDIT REVIEW

Ms. Largent reported she did not have an update except for the CAFR will be completed tomorrow which she will provide to the committee via email as well as to the Board at their December meeting. She noted this was the first attempt at submitting for this award; therefore, she looks forward to feedback from this committee as to what could be improved for next year's submittal.

Mr. Hensley asked what steps had to be taken this year to achieve the CAFR award that has not been done in the past. Ms. Largent explained to receive an audit with no findings numerous things had to be done. She stated the CAFR application also required comprehensive, introductory, and statistical sections to be completed in detail. Mr. Hensley asked for verification the audit process will go smoother moving forward with this work completed. Ms. Largent confirmed it would make the audit process easier as well as applying for the CAFR award, both of which take place every year.

Discussion returned to Item #8.

14. WATER SERVICE UPGRADE PROJECT (WSUP) UPDATE

Mr. Kennedy reported the project was more than 25% complete.

***15. REVIEW THE MONTHLY BOARD FINANCE PACKET**

Ms. Largent referenced the finance packet provided in the agenda packet as she summarized some of the information it contained.

Mr. Hensley asked what effects the pandemic has had on water sales. Mr. Kennedy explained there has not been a noticeable impact; however, growers are suffering a loss in avocado sales to restaurants.

Mr. Nelson referenced Page 21 as he inquired about whether service meter replacements done outside of the WSUP project are being tracked. Mr. Kennedy explained there may be some overlapping. Ms. Largent stated she has confirmed the time employees logging to these work orders.

Mr. Hensley asked if RMWD received any major financial surprises during 2020. Mr. Kennedy and Ms. Largent respectively confirmed the District was mostly prepared for what has transpired this year.

Ms. Johnson inquired as to whether there was an increase in delinquency of individual payments. Ms. Largent reported she had just conducted a comparison and found the number of delinquent accounts has remained the same.

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

It was noted the Cal State University San Marcos project results, a WSUP update, and a draft CIP strategic plan should be on the next agenda.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 1:54 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary