



**BUDGET AND FINANCE COMMITTEE MEETING**

**RAINBOW MUNICIPAL WATER DISTRICT**  
Tuesday, July 11, 2017  
Budget and Finance Committee Meeting - Time: 1:00 p.m.

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District Office	3707 Old Highway 395	Fallbrook, CA 92028
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Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, July 11, 2017.

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**AGENDA**

- 1. CALL TO ORDER
- 2. PLEDGE OF ALLEGIANCE
- 3. ROLL CALL: Harry Stittle (Chair)\_\_\_\_\_ Randy Ross (Vice Chair)\_\_\_\_\_  
Members: Peter Hensley \_\_\_\_ Harry Clyde \_\_\_\_ Pam Moss\_\_\_\_  
Alternates: Vanessa Martinez \_\_\_\_\_
- 4. SEATING OF ALTERNATES
- 5. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)
- 6. PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)

**COMMITTEE ACTION ITEMS**

- 7. COMMITTEE MEMBER COMMENTS
- \*8. APPROVAL OF MINUTES
  - A. May 9, 2017
  - B. June 13, 2017
- 9. DEVELOPMENT UPDATE
- 10. CAPITAL PROJECT UPDATE
- 11. DISCUSSION REGARDING LABOR NEGOTIATIONS
- 12. DISCUSSION REGARDING ADMINISTRATIVE CODE UPDATES

**13. REVIEW THE FOLLOWING:**

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow

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

**15. ADJOURNMENT**

**ATTEST TO POSTING:**

  
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Hayden Hamilton  
Secretary of the Board

7-3-17 @ 4:15 PM.  
\_\_\_\_\_  
Date and Time of Posting  
Outside Display Cases

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**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
MAY 9, 2017**

**1. CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on May 9, 2017 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 Hensley, Member Clyde, Member Moss, Alternate Martinez.

**Also Present:** General Manager Kennedy, Executive Assistant Washburn, Associate Engineer Powers, Accounting Specialist Rubio, Directors Gasca and Brazier.

**Absent:** Member Ross.

There were no public members present.

**4. SEATING OF ALTERNATES**

Alternate Martinez was seated to participate in Member Ross' absence.

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

There were no changes.

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

There were no comments.

**COMMITTEE ACTION ITEMS**

**7. COMMITTEE MEMBER COMMENTS**

Mr. Stitle asked for an update on the Gopher Canyon water break. Mr. Kennedy explained a hydrant lateral let go early in the morning earlier this week where two cars had crashed. He noted RMWD had the water under control with thirty minutes with the road closed with traffic control for approximately five hours to allow SDG&E to come check on wires.

**\*8. APPROVAL OF MINUTES**

**A. April 11, 2017**

Mr. Stitle noted on Page 3, second paragraph should be "pre-fund" as opposed "pre-fun".

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**Motion:**

**To approve the minutes as corrected.**

**Action: Approve, Moved by Member Clyde, Seconded by Member Hensley.**

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

**Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.**

**9. DISCUSSION AND POSSIBLE ACTION TO APPROVE AUDIT**

Mrs. Martinez gave a presentation as she reviewed the final draft of the FY2016 audit which was provided as a handout to the committee members. She pointed out RMWD's audit met the unqualified clean statement of opinion, which is the desired result.

Discussion ensued.

**Motion:**

**To recommend the Board approve the audit.**

**Action: Approve, Moved by Member Hensley, Seconded by Member Clyde.**

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

**Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.**

**10. DISCUSSION AND POSSIBLE ACTION REGARDING DRAFT BUDGET FOR FISCAL YEAR 2017-2018**

Mr. Kennedy pointed out there will be a joint meeting with the Board and the Budget and Finance Committee meeting on May 23, 2017 at which he will not be present.

Mrs. Martinez gave a presentation on a rough draft of the Fiscal Year 2017-2018 budget to review a few objectives and critical success factors. Mr. Kennedy pointed out one of the things different this year than in the past is having the objectives lined up including how to meet those objectives; therefore, there will be more emphasis on achieving the strategic goals and objectives and how it may or may not impact the budget.

Discussion ensued regarding the staff analysis.

Mr. Clyde asked for an update on the Avocado Festival. Mr. Kennedy talked about the materials and videos RMWD displayed as well as how there was a great deal of community contact made.

Mrs. Martinez pointed out Human Resources has been moved to its own Cost Center from the Administration Cost Center. She noted Human Resources has budgeted a temporary employee for \$50,000. Mr. Kennedy pointed out there was a Human Resources Technician position last year which was eliminated; however, since Mrs. Harp has been working diligently to get this department caught up, there was a need for temporary help. He there was no anticipation in terms of having a need for a second full time person; however, there may be an ongoing need to have additional support.

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Mrs. Martinez talked about the detailed list provided on vehicles. She noted staff deferred two vehicles after reviewing RMWD's operational needs. Discussion followed.

Discussion ensued regarding the Capital Improvement projects.

Mrs. Martinez reviewed the water demand projections as well as revenue adjustments. She mentioned there was consideration being given to increasing the RMWD pass through costs. Mr. Kennedy pointed out if RMWD does not start gradually increasing rates now, the District will more than likely find itself in a bad situation in a few years.

Mr. Stitle requested the information provided at this meeting be forwarded to the committee members prior to the May 23<sup>rd</sup> joint meeting with the Board.

Mrs. Martinez mentioned some of the number are not concrete and how there may be some labor cost changes once the employee contract negotiations are finalized.

**11. DISCUSSION AND POSSIBLE ACTION REGARDING CAPACITY FEES**

Mr. Kennedy stated this information was discussed with the Engineering Committee. He noted the system engineering utilizes may subject RMWD to some challenges; therefore, there were some acute changes made by the consultant which he provided additional detail.

Mr. Kennedy continued to review all the information provided in the handout. He concluded by pointing out both the water and wastewater capacity fees as well as any relative components. He explained the steps to follow leading up to the Board's final consideration for adopting the proposed capacity fees at their June 27<sup>th</sup> meeting.

***Motion:***

***To suggest the Board release the Capacity Fee Study for public comment.***

***Action: Approve, Moved by Member Hensley, Seconded by Member Clyde.***

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

***Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.***

**12. DISCUSSION REGARDING BILLING FORMAT REDESIGN**

Mr. Kennedy stated this item would need to be deferred until next month at which time the consultant will give a presentation. He explained some of the services the new consultant can provide.

**13. DEVELOPER UPDATE**

Mr. Powers mentioned not much has changed in the developer projections. He noted Horse Ridge Creek anticipates having models by July 2017.

Mr. Kennedy inquired about the 276 5/8" meters being installed in 2019. Mr. Powers explained these were for condominium projects being developed in Bonsall. He noted this was based on information provided at meetings and how projects more than often get pushed back.

Discussion ensued regarding development in Bonsall.

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Mr. Kennedy talked about the information provided in the handout. He noted there was a reduction in the sewer projections and a modest increase in water. Mr. Powers mentioned the Pala Mesa Highlands just finished putting in the line last week and Golf Green Estates was well on their way in putting in the wet utilities. Discussion followed.

Ms. Moss stated it has been stated closing of any acquisitions will not take place for at least another year past the originally anticipated dates. Mr. Kennedy suggested RMWD engineering staff move projects over by twelve months, it will assist RMWD in remaining conservative in budget projections. He suggested implementing some type of waiting time on some projects to assist with the budget forecasting process as a means of eliminating surprises when changes in projections takes place.

Ms. Moss explained how looking at the tract numbers will assist with properly forecasting the development projections more accurately. Discussion followed.

Mr. Kennedy requested Engineering push some of the developments out would assist in providing more accurate information in the rate model going forward.

#### **14. DISCUSSION REGARDING CALPERS PENSION LIABILITY**

Mr. Kennedy noted certain aspects of this matter pertains to labor negotiations; therefore, he would not be able to discuss this matter in too much detail. He pointed out the unfunded liability has decreased.

Discussion ensued regarding how CalPERS may be impacted when employees draw from Social Security.

Mr. Kennedy explained how through labor negotiations attempts were being made to manage post-employment benefits in the current fiscal years as opposed to leaving them until employees retire. He noted this was a property right given to employees over several Memorandum of Understandings for years; therefore, it could not be just stripped away but rather phased out through a transitioning process.

#### **15. REVIEW THE FOLLOWING:**

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow

Mrs. Martinez referred to the handouts provided to the committee members.

Discussion ensued regarding the current water sales including projected forecasts.

Mrs. Martinez talked about funding and reserves.

Mr. Kennedy announced RMWD was giving Springbrook one more attempt at meeting RMWD's needs including reporting systems; however, it remains unclear if this will ever happen which may in turn lead to researching other options.

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

It was a presentation by InfoSend, Inc., the Capacity Fee Study, budget updates, and rate increases should be on the next agenda.

**17. ADJOURNMENT**

***The meeting was adjourned with a motion made by Member Hensley.***

The meeting adjourned at 3:26 p.m.

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**Harry Stitle, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**





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**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
JUNE 13, 2017**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on June 13, 2017 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:03 p.m. Chairperson Stitle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Member Stitle, Member Moss, Alternate Martinez.

**Also Present:** Executive Assistant Washburn, Customer Service Representative Toner, Customer Service Representative Steward.

**Absent:** Member Ross, Member Hensley, Member Clyde.

Two members of the public were present.

4. **SEATING OF ALTERNATES**

Mr. Stitle noted Alternate Martinez would be seated and participating in this meeting.

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

There were no changes.

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

There were no comments.

**COMMITTEE ACTION ITEMS**

7. **COMMITTEE MEMBER COMMENTS**

There were no comments.

8. **BILLING STATEMENT PRESENTATION BY INFOSEND, INC.**

Mrs. Martinez noted the Board approved changing the vendor for printing service from Dataprose to InfoSend. She introduced Kelly Law from InfoSend who would review the features and options InfoSend offers.

Ms. Law explained InfoSend provides outsourced bill printing and mailing and how primarily for utilities such as RMWD, they take data exported in the form of raw data from Springbrook and process and convert that to a printed PDF design followed by printing and mailing the statements. She noted part of the conversation today was to address the bill redesign project.

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Mrs. Martinez pointed out RMWD went live with InfoSend for the first time this month and how at this time staff was not trying to make a major overhaul to the bill design; however, today was to review samples available to the District and determine what information should be presented on the new statements.

Ms. Law presented samples for the committee members to review. She said she was confident InfoSend would be able to build virtually anything in the samples or if there was something additional RMWD would like, they would be happy to have their on-staff programmers available to work on customizing the District's bill design. She mentioned InfoSend was not on a time crunch nor were they charging the District for the redesign. She explained the printing process and how the paper size and perforation meets industry standard; however, this could be modified to meet RMWD's needs if necessary. Discussion ensued regarding the types of messages that could be conveyed to the customers.

Ms. Law pointed out InfoSend does provide a service to those customers on autopay with which they could receive an emailed bill as opposed to a paper bill.

Mr. Stitle asked about the process for changing the messages on a bill month-to-month. Ms. Law explained the portal contains a message manager area which allows RMWD access to update the message at any time.

Ms. Law solicited the committee for ideas as to what they would like to see on the billing statements.

## **9. DISCUSSION AND POSSIBLE ACTION REGARDING SELECTION OF AUDITORS**

Mrs. Martinez explained Mr. Kennedy asked these proposals be brought to the Budget and Finance Committee for review. She stated should a selection be made in the next week or so, an auditor could be brought to RMWD to watch the District's inventory process.

Discussion ensued regarding the pricing and terms provided in the proposals.

Mrs. Martinez confirmed she would like the committee to rate the proposals and provide their responses to her no later than June 19, 2017. She also pointed out the references for each of the audit firms. Mr. Stitle and Ms. Moss noted White Nelson was their first choice.

## **10. DISCUSSION REGARDING COST OF SERVICE STUDY**

Mrs. Martinez referenced the draft copy of the budget provided to the committee members noting it would be submitted to the Board for approval at their June 27<sup>th</sup> meeting. She mentioned the budget was more than financial raw data in that it was an overview of District including employee compensation and benefits. She pointed out the employee Memorandum of Understandings expire June 30, 2017 were ongoing and the results are still pending. She noted the Strategic Plan was also pending which could impact the budget as well. She noted should the Memorandum of Understanding negotiations not be completed by June 30, 2017, it will be noted in the budget.

Mrs. Martinez mentioned RMWD's cash basis was currently at a breakeven. She referred to the Cost of Service Study conducted in 2015 and how the numbers were based on 2014 calendar year which had a much higher demand. She noted based on this, staff was recommending a new Cost of Service Study be conducted with a new demand that is more realistic in line with what is current demand. Discussion followed.

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Mrs. Martinez explained the draft budget must be ready to go before the Board by the following day; therefore, committee member comments should be submitted to her as soon as possible.

**11. DISCUSSION AND ACTION REGARDING AMENDING ADMINISTRATIVE CODE SECTION 8.12 – RENDERING AND PAYMENT OF BILLS**

Mrs. Martinez recalled the last item on the page provided was brought up at the May 23, 2017 Board meeting. She explained how a customer was impacted during a transition of vendors because of which he incurred late fees. She stated at the Board meeting, it was determined this policy needed to be reviewed again to allow for some flexibility in the event of certain circumstances such as this. She suggested adding language that allows the Finance Manager and/or General Manager discretion to waive or reduce fees when deemed appropriate. She stated she would try to get this on the June or July Board meeting agenda for consideration.

**12. REVIEW THE FOLLOWING:**

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow

Mrs. Martinez highlighted some of the information provided in the handouts. She noted staff will know in the next 2-3 months whether there will be a switch from Springbrook.

Discussion ensued regarding development projects.

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

It was noted an update on the Camino Del Rey situation, the minutes from both the May and June committee meetings, and the proposed Administrative Code change regarding waiving late fees should be on the next agenda.

**14. ADJOURNMENT**

The meeting adjourned at 2:25 p.m.

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**Harry Stitle, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**

