

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

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on March 10, 2020 by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:03 p.m. Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Ross, Member Hensley, Member Moss, Member Gasca (*Arrived 1:09 p.m.*), Member Nelson.

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

No members of the public were present.

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

There were no changes to the agenda.

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

There were no comments.

6. **COMMITTEE MEMBER COMMENTS**

There were no comments.

*7. **APPROVAL OF MINUTES**

A. February 11, 2020

Motion:

To approve the minutes as written.

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

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

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

Absent: Member Gasca.

***8. ADMINISTRATIVE CODE CHAPTER 5.02 – PURCHASING (PROCUREMENT) POLICY REVIEW**

Ms. Largent this item was to provide the committee with an opportunity to review the proposed changes to Chapter 5.02 as well as provide additional input. She mentioned she has reviewed neighboring agency policies and found the updates being presented are in alignment with other agencies, specifically the minimum amount for the three-bid qualification which staff was requesting be increased from \$500 (which is extremely low and has not been increased for quite some time) to \$2,500. She stated increasing the amount to \$5,000 would be better; however, staff was seeking direction from this committee. She explained the three-bid qualification pertains to having to get three quotes prior to making a purchase which can slow the process, especially in operations.

Mr. Nelson said he would be willing to raise the minimum to \$5,000. Mr. Ross suggested trying the \$2,500 limit for a year and then determine if it needs to be increased to \$5,000. Ms. Largent mentioned how it can be difficult to receive quotes from local businesses because they know RMWD is just trying to get three quotes and they will most likely not be selected to perform the work requested. She added; however, there are not a great deal of quotes requested for services totaling more than \$3,500. Mr. Ross said if there is data to show an increase to \$3,500 limit would address most of the challenges associated with receiving quotes, he would support it. Ms. Largent said although the majority of the challenges would be rectified with a \$5,000 limit; however, her concern was the climate of the Board approving that amount.

Mr. Hensley asked how long RMWD has been operating with a \$500 limit. Ms. Largent said she could not find anywhere where it has been changed over the past several years. Mr. Hensley shared his concerns with making an increase from \$500 to \$2,500 was significant and echoed the suggestion to try working with \$2,500 first and then reviewing it again after one year. Ms. Largent liked this suggestion.

Mr. Gasca joined the meeting at 1:09 p.m.

Mr. Nelson explained to Mr. Gasca the general consensus of the committee members was to increase the three-bid limit amount to \$2,500 and then after one year possibly increasing it again to \$5,000 if necessary. He asked for confirmation that if RMWD cannot get three bids, a sole source would be issued. Ms. Largent gave confirmation and explained if a sole source is issued there are certain requirements for explaining why one is issued including an approval process.

Ms. Moss recommended the increase be cut off at \$3,000 for one year and then possibly increasing the amount to \$5,000-\$6,000. Mr. Nelson explained on of the concerns Ms. Largent had was the Board approving an increase from \$500 to \$5,000. Mr. Nelson asked for Mr. Gasca's input. Mr. Gasca said if Ms. Largent could present information on the most common items purchased and the costs for such, the Board may be inclined to approve an increase to \$5,000.

Ms. Largent said she would prefer recommending to the Board the three-bid limit be increased to \$5,000 to eliminate a great deal of busy work. She said this was not higher than other local agency practices and how she can provide additional backup to address any Board inquiries. The committee members had not objection to this suggestion.

Mr. Nelson said going forward on this matter, Ms. Largent can work with Mr. Kennedy directly based on this committee's input and bring this to the Board for consideration without coming back to the committee.

Ms. Largent pointed out another proposed revision to the policy would be increasing the amount of the manager's limit for purchases. She explained each department manager would be able to sign off on expenditures up to \$5,000, the Finance Manager would be able to approve purchases between \$5,001-\$10,000, the Finance Manager and General Manager would approve purchases between \$10,001-\$50,000, and the General Manager and Board of Directors would approve any purchases over \$50,000.

Mr. Hensley expressed concern with giving someone permission to spend up to \$5,000 without a requirement of more than one bid was too much. He recommended the three-bid requirement be set at \$2,500 to provide for one year to allow for better internal controls. He stated those who steal do not take in big numbers. Mr. Nelson encouraged staff to take these comments into consideration when making a recommendation to the Board for possible approval.

Mr. Nelson asked for clarification on the language related to change orders. Mr. Kennedy explained any purchases made amounting to more than \$50,000 must be approved by the Board and how a change order may be approved by him up to 10% of the contract amount, whichever is greater, which provides for a little flexibility to keep projects moving.

Ms. Largent pointed out the remaining proposed revisions are to bring the policy into alignment with the current procedures.

Ms. Moss asked about the petty cash limits. Ms. Largent pointed out, petty cash is not utilized often enough; therefore, it does not need to be increased at this time.

Ms. Largent explained the invoice process. Mr. Kennedy noted how the process had been reviewed when considering before the implementation of the new purchasing module as part of the software updates.

The committee had no further revisions.

9. WSUP UPDATE INCLUDING COMMUNICATIONS

Mr. Kennedy reported there was a potential change order coming forward. He mentioned there was ongoing brainstorming being conducted as to how to make the program more efficient. He talked about some of the challenges faced during the onset of the project; however, now the process seems to be moving along nicely. He noted this program will take approximately eighteen months to complete. He said he has not heard of any significant challenges with communications to the customers.

Mr. Kennedy mentioned there will be an article in the upcoming newsletter asking the customers to check their in-house pressure regulators now that pressure regulators will no longer be provided on RMWD's devices.

Discussion ensued regarding challenges with the properties with backflow devices as well as the time involved with backfilling.

10. REPORT ON FINANCE AND CUSTOMER SERVICE STAFF ANTICIPATED TRAINING

Ms. Largent reported customer service have received in-house on anti-bullying and escalated calls and will receive additional training on different ways to deal with diversity. She noted payroll has attended FLSA training and is scheduled to attend CalPERS training this Fall. She added she and Ms. Rubio attended the GFOA annual conference in January and how she will attend CSMFO in May unless it is canceled.

11. REVIEW THE FOLLOWING:

- A. Budget vs Actuals (DEC FYTD 19/20)
- B. Fund Balance Projections
- C. Treasury Report (JAN FY 19/20)
- D. Five Year Demand Chart (through 3/3/2020)
- E. Credit Card Breakdown (JAN FY 19/20)
- F. Directors' Expense Report (JAN FY 19/20)
- G. Check Register (JAN FY 19/20)
- H. Water Sales Summary (JAN FY 19/20)
- I. Developer Projections
- J. RMWD Properties

Ms. Largent pointed out the handouts provided are the same reports to be included in the March Board meeting agenda packet.

Discussions ensued regarding the timeframes covered in the reports provided.

Mr. Kennedy shared updates on some of the developer projections.

Ms. Largent noted one of the handouts were updated pages for the Annual Operating & Capital Improvement Budget books to be incorporated into the committee members' copies of the budget book.

Discussion went to Item #12.

Discussion returned from Item #12.

Mr. Gasca asked for an update on the Bonsall Reservoir and potentially installing solar at the site. Mr. Kennedy stated a notice to vacate has been provided to the property owner and how staff was looking into the solar panel options. He encouraged the committee to look at other means for reducing costs including supply sharing with other local special districts.

Discussion went to Item #13.

12. GENERAL MANAGER COMMENTS

Mr. Kennedy reported it was anticipated to have the application for detachment to LAFCO by next week as well as hoping to resolve the lawsuit with Otay. Discussion followed.

Mr. Hensley inquired as to how soon before the detachment takes place. Mr. Kennedy explained the steps involved with the process and how it would not be completed this fiscal year.

Discussion returned to Item #11.

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

It was noted review of customer payment options, financial reports, and WSUP update should be on the next agenda.

14. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:22 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary