

14. REVIEW THE FOLLOWING:

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

15. MEMORANDUM OF UNDERSTANDING WITH EASTERN MUNICIPAL WATER DISTRICT UPDATE

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

17. ADJOURNMENT

ATTEST TO POSTING:



For: Carl Rindfleisch
Secretary of the Board

8-6-19 @ 9:30 a.m.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JULY 9, 2019**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on July 9, 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 Hensley, Member Moss, Member Gasca, Alternate Nelson.

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

Absent: Member Ross.

One member of the public was present.

4. **SEATING OF ALTERNATES**

Mr. Stitle noted Mr. Nelson would be seated as an alternate.

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

Ms. Moss said it was brought to her attention at the last committee meeting that RMWD has a number of parcels with several of which could actually create income that should be dealt with before imminent domain becomes an issue. It was noted an agenda item would not be added to this meeting but be a recurring item on future committee agendas for discussion purposes.

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. **APPROVAL OF MINUTES**

A. June 11, 2019

Motion:

To approve the minutes as written.

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

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

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

Abstain: Member Stitle.

9. INFOR CLOUDSUITE FINANCIAL UPDATE

Ms. Largent reported CloudSuite Financial was functioning with staff working through minor challenges. She stated the long hours put into the transition were worth it due to the product being great that will allow her to do a variety of things. She explained the invoice approval routing has been set up for non-purchase order invoices. She said the set up for the purchase order workflow will commence next week. She assured the committee she was overseeing all the security, access, and approvals until everything is transitioned over to the new system. She noted a demo would be provided at the next Board meeting.

10. INFOR UTILITY BILLING UPDATE

Ms. Largent reported the new software went live July 1, 2019 with challenges resolved utilizing assistance from an Infor consultant brought on site. She also mentioned there was another issue with setting up autopay currently being addressed with a financial institute.

Mr. Gasca suggested the newsletter mention the \$260,000 savings Ms. Largent referenced and how this will pay for the software itself. Mr. Nelson recommended adding the savings in the first year alone will pay for the whole project.

11. INFOR PUBLIC SECTOR AND FINANCIAL SERVICES CHANGE ORDERS

Mr. Kennedy explained IPS was a new version of software noting Infor certifies third party firms to provide customer implementation for organizations similar to RMWD. He noted the first quote was \$960,000; however, RMWD only entered into a smaller arrangement for approximately \$46,000 with Infor to support in-house staff through the implementation process. He stated there were challenges with Infor adapting their large corporate structure to RMWD's size which in turn caused several change orders to be issued. He explained one of those change orders was lost in the tracking process which ultimately resulted in exceeding the General Manager approval limit. He said due to time restraints and keeping the project on track, staff was seeking a committee recommendation the Board approve the change order retroactively.

Ms. Largent noted upon completion of both projects, the total costs will come in under budget as well as under the total Purchase Order amount with staff requesting more on one project and less on the other. She provided copies of the draft Board Action Letter for committee input.

Mr. Stitle inquired as to the difference between CloudSuite and Infor. Mr. Kennedy explained Infor has three projects RMWD will be utilizing; EAM for asset management, CloudSuite for general ledgers and accounts payable, as well as Infor IPS for utility billing. Mr. Gasca inquired as to whether all the products were purchased in a three-step process. Mr. Kennedy provided a breakdown as to how each product was considered for RMWD. Mr. Gasca stated because the products were acquired over time, RMWD was paying different amounts for pieces of the overall project from various allocated funds. Mr. Kennedy said in order to follow the Administrative Code, this needed to be corrected.

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Mr. Gasca asked when staff realized the threshold was being exceeded, was the Board President or Board Vice President advised. Mr. Kennedy said he did not speak to individual Board Members regarding the matter since it takes a full Board to grant approval. He added the project funds were allocated throughout the budget with the overall costs remaining within the budgeted funds; however, in the interest of transparency this matter should go before the Board.

Mr. Gasca recommended language be added to the Administrative Code stating if it is recognized the threshold will be broken, a Board Member be notified. Mr. Kennedy agreed to adding this mechanism and asked Ms. Largent to draft revisions for Board consideration. Ms. Largent pointed out the new software will allow for internal controls the previous software did not provide.

Motion:

To recommend the Board approve Change Order 1-4 for a total amount of \$85,300.

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

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

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

12. FLUME PROJECT UPDATE

Mr. Kennedy reported RMWD currently has 200 customers who have purchased through the program. He noted other agencies interested establishing similar programs.

Mr. Nelson asked if there was information on how many agricultural growers make up the 200 subscribers. Discussion ensued.

13. AUDIT UPDATE

Ms. Largent stated the auditors were at RMWD on June 24th for the inventory count and will return the following week for an interim audit. She explained the final audit was delayed for two weeks to October 7-10, 2019.

Mr. Kennedy added since this was the third year with this auditor, the Board may want to consider putting out a Request for Proposal for a new auditor.

14. REVIEW PRINTED VERSION OF FISCAL YEAR 2019-2020 BUDGET BOOK

Ms. Largent provided copies of the draft printed version of the approved budget to the committee members for their review for edits. She pointed out the Strategic Plan will need to be updated; however, she was unsure it would make the final printed version of the budget.

15. REVIEW THE FOLLOWING:

- A.** Statement of Revenue and Expenses
- B.** Balance Sheet
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Ms. Largent pointed out there were no significant change in the District's financials. She noted the reports provided at the September meeting will be generated from the new software and look different.

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Mr. Nelson inquired about the water revenues compared to the previous month. Mr. Kennedy explained RMWD a monthly comparison shows higher sales, but there is a reduction when conducting a yearly comparison.

Mr. Stitle asked about the number of total connections at Horse Ranch Creek. Mr. Kennedy asked Ms. Largent to ask Mr. Strapac to provide an updated report on the development.

Discussion ensued regarding RMWD making quarterly transfers as opposed to monthly.

It was confirmed the debt service is paid on July 1st for the prior fiscal year.

Mr. Hensley pointed out RMWD's budget projects a small loss although it is generating large profits. He asked what the 2-3 important things are changing to make the profitability happen. Ms. Largent stated it is partially due to being cognizant of the lower water sales and exercising caution in spending. Mr. Hensley suggested when reports are made to the customers, it may be prudent to state RMWD has suffered largely due to lack of water sales because of water conditions, but in spite of that the District's ability to control costs has enabled it to do a better than expected when budgeting. Discussion ensued.

Ms. Largent noted she would provide the fund balance projections to this committee on a quarterly basis.

Mr. Kennedy provided an update on the rate model project.

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

It was noted a report on the surplus properties, a report on outstanding construction units, a demonstration on the new financial software, an audit update, and a rate model update should be on the next agenda.

17. ADJOURNMENT

The meeting adjourned at 2:05 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary