



BUDGET AND FINANCE COMMITTEE MEETING

RAINBOW MUNICIPAL WATER DISTRICT

Tuesday, December 12, 2017

Budget and Finance Committee Meeting - Time: 1:00 p.m.

District Office

3707 Old Highway 395

Fallbrook, CA 92028

Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, December 12, 2017.

AGENDA

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL: Harry Stittle (Chair)_____ Randy Ross (Vice Chair)_____**
Members: Peter Hensley _____ Pam Moss_____ Mig Gasca _____
Alternates: Vanessa Martinez _____ Flint Nelson _____
- 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. November 14, 2017**
- 9. PRESENTATION ON RATE STUDY CONDUCTED BY RAFTELIS**
- 10. DISCUSSION REGARDING ABM PROGRESS**
- 11. DISCUSSION REGARDING AUTO PAY AND NEW BILL PROCESSING SYSTEMS**

12. REVIEW THE FOLLOWING:

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

13. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2018 COMMITTEE OFFICERS

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

15. ADJOURNMENT

ATTEST TO POSTING:

C. H. Hamilton, III

Hayden Hamilton
Secretary of the Board

December 7, 2017 @ 8:00 A.M.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 14, 2017**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on November 14, 2017 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 Ross, Member Moss (*arrived at 1:18 p.m.*) Member Gasca (*arrived at 2:05 p.m.*), Alternate Martinez, Alternate Nelson.

Also Present: General Manager Kennedy, Associate Engineer Powers, Acting Engineering Manager Gerdes, Administrative Analyst Gray.

Absent: Member Hensley.

One member of the public was present.

4. **SEATING OF ALTERNATES**

Mr. Stitle noted both Alternate Martinez and Alternate Nelson would be seated.

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

Mr. Kennedy stated he would be presenting an update on the new financial software.

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

There were no public comments.

COMMITTEE ACTION ITEMS

7. **COMMITTEE MEMBER COMMENTS**

Mrs. Martinez talked about the new auditors having a different view on the CIP and how projects should be recognized.

*8. **APPROVAL OF MINUTES**

A. October 10, 2017

Motion:

Accept the minutes as written.

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

Vote: Motion carried (summary: Ayes = 4; Absent = 3).

Ayes: Member Stitle, Member Ross, Alternate Martinez, Alternate Nelson.

Absent: Member Moss, Member Gasca, Member Hensley.

9. RATE STUDY REPORT

Mrs. Martinez presented data on the rate study and expressed a strong connection of item #9 and #10. She said the rate study report was still being constructed. Mr. Kennedy talked about the District's challenges related to the CIP projects which will be reviewed more closely internally when going through the process of determining where consultants can be utilized. Discussion followed.

Mr. Kennedy noted the importance of any money taken from the ratepayers being allocated to the intended purpose as opposed to making a list for the purpose of collecting money and then applying it to something else. Mr. Stitle suggested identifying two additional companies for construction management purposes. Mr. Kennedy agreed this could be done through the RFQ's.

Mr. Nelson inquired about whether RMWD has percentages of costs it can count on that covers non-construction (preliminary engineering, detailed engineering, bidding, and construction maintenance worker, etc.) for recurring work. Mr. Kennedy answered usually this would be approximately 10%; however, the more complex it the work, the more the costs increase. Discussion ensued.

Mr. Kennedy reviewed the information provided in the presentation. He pointed out how the next five years the revenue increase is 7.5% per year. Mrs. Martinez added the two main factors that control the revenue requirements is demand and the District's CIP.

Mrs. Martinez continued with reviewing the CIP information provided in the presentation.

Mr. Kennedy explained Raftelis is working to find a means of establishing the monthly fixed fees based on the overall consumption and peaking factors as opposed to basing them on meter size. He provided examples of this type structuring. Discussion followed.

Mrs. Martinez pointed out the last increase to RMWD rates went into effect January 2014.

10. DISCUSSION REGARDING PROJECTED RATE STRUCTURE

This item was addressed under Item #9.

11. DISCUSSION REGARDING PRELIMINARY AUDIT REPORT

Mrs. Martinez reiterated the issue with the different view the new auditors has regarding CIP projects. She noted the CIP was reviewed with the Mr. Powers. She explained the auditors view some projects included in the CIP as full functioning assets meaning they are usable. Discussion ensued.

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Mrs. Martinez pointed out another pending item on the audit is the fixed assets and recognizing it to the valuation report using three methods (costs, income approach, and comparable sales). She noted the partner in the audit firm did not feel the numbers matched up when compared to the valuation report provided by a Willdan consultant; therefore, RMWD will need to restate its fixed assets. She stated the auditor thought the numbers to be too high.

12. REVIEW THE FOLLOWING:

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

Mr. Kennedy explained the purpose of these reports at Mr. Nelson's request. He pointed out the January expenses were in line with the forecast and how water sales are increasing slightly. Discussion followed.

Mr. Kennedy provided an update on Infor noting there were a few more details to be worked out in a meeting to be held in the upcoming week. He explained the types of services Infor provides and those best to meet RMWD's needs. Discussion followed.

Mr. Kennedy updated the committee on AMI. He talked about steps Itron and SDG&E need to complete prior to the end of 2017. He explained some of the benefits this program will have for the District including the return on investment. Discussion ensued.

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

It was noted the Raftelis Rate Study, as well as an update on ABM and the audit will be on the next agenda.

14. ADJOURNMENT

The meeting was adjourned with a motion made by Member Ross; Seconded by Chairperson Stitle.

The meeting adjourned at 3:05 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary