



BUDGET AND FINANCE COMMITTEE MEETING

RAINBOW MUNICIPAL WATER DISTRICT
Tuesday, February 13, 2018
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, February 13, 2018.

AGENDA

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL: Harry Stitle (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. December 12, 2017
 - B. January 9, 2018
9. **WATER AVAILABILITY PROPERTY REVENUE ANALYSIS**
10. **AUDIT UPDATE**
11. **ABM PROJECT AND REMOTE READING WATER METER SYSTEM UPDATE**
12. **CHANGE IN ACCOUNTING SYSTEM UPDATE**

13. REVIEW THE FOLLOWING:

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow
- D. Treasurer's Report

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

15. ADJOURNMENT

ATTEST TO POSTING:



Hayden Hamilton
Secretary of the Board

2-1-18 @ 12:00 p.m.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
DECEMBER 12, 2017**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on December 12, 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 Moss (*arrived at 1:10 p.m.*), Alternate Nelson, Alternate Martinez.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Interim Engineering Manager Gerdes, Associate Engineer Powers.

Absent: Member Ross, Member Gasca.

Six members of the public were present.

4. **SEATING OF ALTERNATES**

It was noted Ms. Martinez and Mr. Nelson would be seated as alternates for this meeting.

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

Mr. Kennedy confirmed Item #9 would be moved to the end of the agenda. He also noted there were consultants from Infor present to provide information on Item #11.

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. Hensley stated in relation to the discussion regarding rates, the bottom line is that if someone raises their rates, the customers have to pay them.

Mr. Stitle commented on the published salaries for FPUD employees.

Mr. Kennedy reported RMWD is working with CalPERS regarding RMWD being owed approximately \$40,000 after the conclusion of an audit conducted with CalPERS. Discussion ensued.

***8. APPROVAL OF MINUTES**

A. November 14, 2017

Motion:

Approve the minutes as written.

Action: Approve, Moved by Alternate Nelson, Seconded by Member Hensley.

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

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

Absent: Member Moss, Member Ross, Member Gasca.

Discussion went to Item #10.

9. PRESENTATION ON RATE STUDY CONDUCTED BY RAFTELIS

Mr. Kennedy talked about the steps taken trying to work through the rate model and making sure to reach some of the goals identified as well as more equitably deal with the challenge where RWMD has customers with low consumption in a larger meter and high consumption with a smaller meter. He pointed out RMWD received the rate study yesterday with many variations that have some side effects that need to be taken into consideration. He elaborated on some of the challenges involved with the variations. He noted the Board wanted to have input from the Budget and Finance Committee prior to the RMWD rate hearing scheduled for January 10, 2018 after which any revisions can be made and the required 218 notices released.

Sudhir Pardiwala presented the rate study utilizing the assumptions provided. Discussions ensued.

Mr. Kennedy explained the importance of finding the rate structure that is equitable and achievable. Mr. Pardiwala reviewed the financial plan showing the revenues collected from the proposed rates noting the results and how there may be a need for adjustments. Discussion followed.

Discussion ensued regarding the upcoming development and the fees the developers will be paying.

Mr. Kennedy thanked Mr. Pardiwala for presenting the information to the committee.

Discussion took place regarding the water pumped to the District's higher elevations.

Discussion went to Item #12.

10. DISCUSSION REGARDING ABM PROGRESS

Member Moss joined the meeting at 1:10 p.m.

Harvey Katzen and Todd Havelaar, ABM representatives, provided a progress update. Mr. Katzen pointed out ABM has been engaged with RMWD for many months with the hope they will ultimately be able to provide the District with a financially guaranteed, fully paid from savings, district-wide meter replacement project. He mentioned they are at the point in their progress where they have

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recently completed all the meter testing as well as the analysis on that testing. He said they were here today to give RMWD a progress report on the results of that testing and where the revenue will come from to pay for the meter replacement project.

Mr. Havelaar, ABM's Director of Engineering, gave a general summary of the information provided in the presentation prepared by Mr. Katzen for the purpose of this meeting. He explained the steps involved with the testing and analysis process.

Discussion ensued regarding the definition and use of AMI.

Mr. Katzen stated ABM will come back to RMWD in January or February with everything needed for the District to make an investment decision. Mr. Kennedy talked about risk management as well as a means of keeping costs down.

Discussion went to Item #11.

11. DISCUSSION REGARDING AUTO PAY AND NEW BILL PROCESSING SYSTEMS

Mr. Kennedy explained Infor was here to give a presentation on the billing services they will provide. He introduced both Steve Bury and Scott Renstrom as the Infor representatives.

Mr. Bury thanked the committee for the opportunity to speak with them today as well as thanked RMWD for being an Infor customer. He noted the Financial Suite has been around for almost thirty years that was acquired approximately six years ago by Infor who in turn spent money and time improving the functionality. Mr. Kennedy added how the software will assist in getting better information out to the ratepayers.

Scott Renstrom, a Solution Consultant with Infor Software, thanked the committee again for the opportunity to share their software with the members. He gave a presentation on the highlighted capabilities of the software.

Discussions ensued.

Discussion went to Item #9.

12. REVIEW THE FOLLOWING:

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

This item was not discussed.

13. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2018 COMMITTEE OFFICERS

This item was not discussed.

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

This item was not discussed.

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15. ADJOURNMENT

The meeting adjourned at 4:45 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JANUARY 9, 2018**

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

Also Present: General Manager Kennedy, Executive Assistant Washburn, Administrative Analyst Gray, Associate Engineer Powers.

Absent: Member Moss.

No members of the public were present.

4. **SEATING OF ALTERNATES**

It was noted Mr. Nelson would be seated for 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 public comments.

COMMITTEE ACTION ITEMS

7. **COMMITTEE MEMBER COMMENTS**

There were no comments.

8. **UPDATE ON LILAC FIRE ACTIVITIES**

Mr. Kennedy pointed out staff held a meeting regarding fire activity just prior to the start of the Lilac Fire. He noted because it was so close by, most office staff and equipment was evacuated from the District offices. He said as with most fires RMWD’s responsibility is to keep water flowing. He mentioned Pala Mesa tank almost overflowed; however, it was shut off prior to that happening. He explained where people were staged throughout the duration of the fire for communications purposes.

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Mr. Kennedy talked about staff setting up and running the Emergency Operations Center (EOC) during the fire event. He pointed out since this was the first time activating the EOC, staff will be working on strengthening the operational processes as well as backup power resources. He said overall everything went well; however, there will be a meeting next week with all staff members to discuss procedural improvements.

Mr. Kennedy spoke on the quickly expedited evacuations at both the local schools and mobile home park. He stated all costs involved with the fire (approximately \$150,000) has been remitted for reimbursement.

Mr. Gasca asked who pays for the water used to fight the fire. Mr. Kennedy explained in general fire fighter activity costs are picked up by all the customers under the authorized unbilled consumption category. He added the cost of the water used will be shown as a loss on RMWD's records.

Mr. Hensley inquired as to whether Mr. Kennedy had an opportunity to speak with some of the fire fighter personnel to discuss matters such as high pressure and other related issues. Mr. Kennedy explained he did talk to a few; however, due to the emergency situation, it was not available to speak to everyone.

Discussion ensued regarding the FEMA processes. Mr. Kennedy noted all staff time spent responding to every aspect of the Lilac Fire has been recorded in EAM and will be included in the request for reimbursement.

9. PRESENTATION ON RATE STUDY CONDUCTED BY RAFTELIS

Mr. Kennedy gave a presentation on the rate study. He explained the steps taken to determine the most balanced rate structure. He talked about the pass-through charges from San Diego County Water Authority. He pointed out the big change is RMWD's Capital Improvement Projects the District is trying to start funding by increasing the reserves to pay for the pipeline replacement projects. He stated the Condition Assessment Program has been implemented to aid in forecasting what needs to be done in terms of proposing news rates. He referenced examples provided in the presentation.

Mr. Kennedy reported RMWD collects approximately \$10.50 per acre standby water availability charge as a parcel tax. He explained these charges are to ensure water is available to protect all customer properties (including fire protection) regardless of the customer's water use. He mentioned research was conducted on what would need to happen to increase these rates which may be taken under consideration by the Board at the later date.

Mr. Kennedy noted the Engineering Services Committee has reviewed the Condition Assessment Study and have recommended investments should be made at the level being presented. He said the Budget and Finance Committee now needs to take that information and determine the best means of achieving that level. He said the overall goal is to fund the District's capital reserves. Discussion followed.

Mr. Kennedy talked about how the proposed new rate structure could fluctuate with new development; however, the model presented does not assume any development which makes it as conservative as it is going to get. Discussion ensued regarding the capital reserve and Pipeline Replacement Program.

Mr. Kennedy continued with the presentation noting the operating expenses, capital projects, proposed revenue adjustments, operating financial plan, projected ending balances, proposed RMWD and SDCWA meter charges and proposed variable rates, and proposed pumping charges.

Mr. Gasca talked about the parcel assessment charge asking how many properties benefit from RMWD's system. Mrs. Martinez stated RMWD assesses 10,000 parcels. Mr. Gasca suggested if RMWD has a Capital Improvement Plan that will take care of the system from which everyone benefits, increasing the assessment fee would assist in guaranteeing those benefits. Discussion followed.

Mr. Nelson asked if the new rates are adopted, would the budget be balanced. Mr. Kennedy referred to the presentation pointing out showing the projections in terms of what is generated and what is needed for capital projects for each respective year's forecast which are based on assumptions.

Mr. Gasca stated if the assessment charges are increased, instead of taking three years to get to the positive input into reserves, the need to draw down from the second year will be eliminated. Mr. Kennedy explained increasing the rates would take the District the same time to reach the financial goal; however, increasing the assessment charges would provide additional revenue the District needs. Discussion followed.

Mr. Kennedy continued with presenting the wastewater rate study noting the key assumptions, system overview, operating expenses, capital projects, capital financing plan, revenue adjustments, operating financial plan, projected ending balances, current wastewater rates, proposed wastewater rates, and customer impacts.

Mr. Ross suggested implementing a one-time CIP charge instead of implementing rate increases. Mr. Kennedy pointed out if a large development comes into RMWD, it would take care of the need to increase wastewater rates; however, this model no longer includes anticipated development due to the fact sometimes those developments do not happen as they have in the past. He said for the District to ensure it has the money to pay for wastewater services and facilities, it cannot rely on anticipated development.

Mr. Kennedy proceeded with the presentation. He pointed out the single-family residences, apartment/condominiums and mobile home parks will see slight decreases; however, bakeries, car washes, grocery stores, and restaurants will see increases. He explained country clubs are considered commercial with irrigation and were incorrectly categorized in the past as strictly commercial. Mr. Kennedy summarized the overall customer impacts. He reported the proposed increase would be the first than 2014.

Mr. Kennedy mentioned this information will all be presented to the Board for their consideration at their January 10, 2018 meeting after which time public hearing notices will be mailed to property owners in compliance with Proposition 218. He stated this was a majority protest process where it would take half the customers plus one must protest to keep the proposed rate increases from being implemented. Mr. Nelson suggested RMWD contact the local newspaper asking for something to be publicized. Mr. Kennedy

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said full write-up was included in the District newsletter and he also expected The Village News to contact him after the Board decides on this matter.

10. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2018 COMMITTEE OFFICERS

Mr. Stitle reported by the end of 2018 he anticipates relocating to Arizona dependent on the sale of his home. He stated he was willing to remain Chairperson of this committee until such time should the committee wish to have continue serve in this role. Mr. Ross said he was fine with Mr. Stitle serving as Chairperson until he relocates.

Mr. Ross explained there was a great deal of traveling involved with his schedule; therefore, it would be difficult for him to serve as the Chairperson right now.

Mr. Nelson said he was fine with keeping the current Chairperson and Vice Person in place.

Motion:

To continue the status quo.

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

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

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

Absent: Member Moss.

11. REVIEW THE FOLLOWING:

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

Mrs. Martinez noted the interim financials have been summarized; however, there was a data entry error on the final balance. She referenced the handouts provided pointing out the original 14-page report has been reduced to four pages with a pie chart on the last page. She talked about the water sales increasing 12% noting the uptake and updating the anticipation of demand helped minimize the rate increase presented today. Discussion followed regarding how upcoming water sales will change the projections provided.

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

Mrs. Martinez explained what was taking place with the audit progress. Mr. Kennedy gave an update on the Infor software.

It was noted the audit report and an ABM update will be on the next agenda. Mr. Kennedy added there may be a discussion item related to property tax assessments depending on Board direction.

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13. ADJOURNMENT

The meeting was adjourned with a motion made by Member Ross and seconded by Member Hensley.

The meeting adjourned at 3:25 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary

