

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JANUARY 12, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on January 12, 2021 by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Nelson (*via video conference*), Member Ross (*via video conference*), Member Hensley (*via video conference*), Member Rindfleisch (*via video conference*), Member Johnson (*arrived at 1:08 via teleconference*).

Also Present Via Teleconference or Video Conference:

General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Information and Technology Manager Khattab.

One member of the public was present via teleconference or video teleconference.

4. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

Mr. Nelson read aloud instructions for those attending via teleconference or video conference.

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

Ms. Largent requested for Item #17 to be deleted from the agenda. There were no objections.

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

There were no comments.

*7. **APPROVAL OF MINUTES**

A. December 15, 2020

Motion:

To accept the minutes as presented.

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

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

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

Absent: Member Johnson.

Discussion went to Item #9.

8. GENERAL MANAGER COMMENTS

Mr. Kennedy updated the committee on the COVID situation noting there was no definite timeline for essential workers such as those at RMWD to be vaccinated; therefore, extra precautionary safety measures have been implemented to keep everyone safe and working. He thanked the committee for their patience with attending the committee meeting virtually; unfortunately, the meetings will continue to be conducted this way until further notice.

Discussion went to Item #11.

9. FINANCE MANAGER COMMENTS

Ms. Largent mentioned staff was working on updating the rate model and how once the CIP numbers have been included, work will begin on the rate analysis for the budget. She noted the plan was to look at the detachment scenario as well.

Discussion went to Item #10.

10. COMMITTEE MEMBER COMMENTS

Mr. Rindfleisch stated he will be contacting Ms. Largent regarding the CSUSM project. Mr. Nelson requested an update on the CSUSM matter. Ms. Largent mentioned a meeting was scheduled for January 13, 2020 to discuss this project.

Ms. Johnson joined the meeting at 1:08 p.m.

Ms. Johnson offered to join the CSUSM meeting should Ms. Largent like her to participate.

Discussion returned to Item #8.

11. WATER SERVICE UPGRADE (WSUP) PROJECT UPDATE

Mr. Kennedy reported the project was 38% complete with meter installs and backfill was 33%.

Mr. Kennedy explained the annual water loss audit processes and how this audit will help identify any net benefits. Discussion followed.

Discussion went to Item #12.

12. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) REVIEW

Ms. Largent noted staff took the CAFR to the Board in December for acceptance. She highlighted some of the content contained in the report for the committee members.

Mr. Hensley asked how much of this data would be available to customers. Ms. Largent stated it was posted on the District's website.

Mr. Rindfleisch stated he did not recall having such a detailed report. Ms. Largent pointed out this was the first time RMWD has prepared a CAFR. Mr. Rindfleisch asked if this report would continue to be prepared annually. Ms. Largent confirmed this report should be updated annually. Mr. Kennedy added this format was newly created that will be regularly updated as well as utilized as part of making determinations related to the detachment efforts. Mr. Rindfleisch thanked staff for sharing this report.

Discussion went to Item #13.

13. MID-YEAR BUDGET DISCUSSION

Ms. Largent reported staff was on schedule and were currently compiling data to determine any mid-year budget adjustments. She mentioned staff has stayed within their respective budgets or below. She stated it was anticipated to have the CIP Strategic Plan ready to represent to the committee and the Board in February.

Mr. Kennedy stated there were no anticipated unexpected changes to the budget except for the CIP. Mr. Nelson cautioned the warm weather conditions may impact the budget.

Discussion went to Item #14.

14. UPDATE ON SWITCH FROM DYNAMIC PORTAL TO INFOSEND

Ms. Largent reported the transition was on track and should have the production environment by next week. She stated Dynamic Portal will be turned off on January, training will begin with the Customer Service staff, the postcards will be sent to RMWD's autopay customers, and staff will work with Infosend to determine what customers may still need to be contacted. She mentioned the new program is welcomed by staff in that it will be much easier in functionality.

Mr. Kennedy added staff may take something to the Board asking them to consider offering a possible waiver of any late charges incurred during the transitional period. Mr. Nelson stated having an incentive for customers to sign up for autopay would be beneficial to the District.

Discussion went to Item #15.

***15. DISCUSSION REGARDING VARIANCE REQUEST FOR MR. ELLIS**

Ms. Largent noted Mr. Ellis is requesting to be moved from a 1" meter to a 3/4" meter. She noted the 12-month rolling average of usage was below the required amount. She noted staff will be actively working on updating any Administrative Code sections related to these types of requests.

Motion:

To recommend the Board approve the requested variance.

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

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

Ayes: Member Rindfleisch, Member Hensley, Member Nelson, Member Ross, Member Johnson.

Discussion went to Item #16.

***16. DISCUSSION REGARDING VARIANCE REQUEST FOR TERRACE DOWNS HOA**

Ms. Largent explained this was for an HOA that downsized a significant amount of meters approximately eighteen months ago. She stated the HOA was now requesting an additional sixteen meters be downsized. She noted the HOA had planned to move a more drought tolerant landscape in two phases and how this request was for the planned second phase. She pointed out it has been confirmed there were no sprinklers in these homes; therefore, they were able to move to 3/4" meters for fire flow purposes.

Mr. Rindfleisch asked if there was a savings experienced with the original downsized meters. Ms. Largent stated the flow was not analyzed because it was not believed the meters had yet been switched out due to them being a part of the WSUP program. She added; however, the billing was changed as soon as approval was granted.

Mr. Rindfleisch inquired as to whether any multi-family properties where meter exchanges took place as part of the WSUP program have experienced lower flow. Mr. Kennedy stated many customers are picking up what they had not picked up previously; however, this has not been formally analyzed. Ms. Largent mentioned this will be analyzed as part of the WSUP program. Mr. Rindfleisch stated although he was pleased HOA's and ratepayers find satisfaction with the District by paying less by changing out meters; however, he has an increasing concern regarding how making these meter changes may impact the District's finances.

Motion:

The Board accept the variance as presented.

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

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Member Ross.

Discussion went to Item #18.

***17. DISCUSSION REGARDING VARIANCE REQUEST FOR MR. CHURCH**

This item was deleted per Item #5.

18. CAPITAL IMPROVEMENT PROGRAM (CIP) STRATEGIC PLAN REVIEW

Mr. Kennedy said it was his current understanding all the ranking and costing was complete and how remaining work on the GAANT charts was now being brought into alignment. He mentioned there were some much larger projects whose marginal benefits will need to be assessed. He also indicated there were other projects with budgets related to wholesale efficiency that may be good candidates for bond or debt financing as opposed to be paid for out of District reserves.

Ms. Largent presented the ranking sheets with the committee noting the steps utilized when ranking projects. Discussion ensued regarding the information contained in the columns.

Mr. Kennedy pointed out the goal was for this mid-year process was to cover all the projects in the current fiscal year as well as in the subsequent fiscal year.

Mr. Nelson asked for the level of review staff was seeking from the committee members. Mr. Kennedy explained stated once this plan has an established baseline, it will become easier for staff and committee members to engage. Ms. Largent pointed out she was not overly concerned with the deep level of review until the time comes to determine whether projects require funding or should the projects be cut back.

Mr. Hensley stated it would appear the committee's role would be to recognize there are very competent people working on this plan; therefore, it would be his inclination to entrust staff to bring something to the committee whenever there are financial aspects to be decided upon. Ms. Johnson concurred.

Mr. Kennedy pointed out one of the items to be highlighted was the absolute necessity for the sake of the RMWD ratepayers to identify a lower cost supply of water since this was the number one District expense through successful detachment. He said the District's ability to maintain its infrastructure in the manner in which it needs to be maintained hinges on detachment and should the detachment not succeed, it will take significant increase in rates to continue to provide the services on which the customers rely. He stated RMWD pays a great deal for infrastructure down south and would rather pay for infrastructure closer to its home. Discussion ensued.

Discussion went to Item #19.

19. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2021 COMMITTEE OFFICERS

Mr. Nelson stated although he has very much enjoyed and appreciated the confidence of the committee during his time serving as Chairperson and would not mind continuing to serve in this capacity, in the spirit of rotation and due process, he would be more than happy for someone else to serve.

Mr. Ross mentioned he may be relocating outside the district boundaries; therefore, it may make sense for someone to serve as Vice Chairperson.

Motion:

To keep Flint Nelson as Chairperson and Mr. Ross as Committee Vice Chairperson.

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

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Member Ross.

Discussion went to Item #20.

***20. REVIEW THE MONTHLY BOARD FINANCE PACKET**

Ms. Largent shared the Accounts Receivable Aging Reports not included in the finance packet.

Discussions ensued regarding the information contained in these reports as well as in the finance packet.

Discussion went to Item #21.

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

It was noted the mid-year budget, CIP strategic plan, WSUP update, payment portal update, and an update on the CSUSM project should be on the next committee agenda.

Discussion went to Item #22.

22. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:27 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary