

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 9, 2017**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on May 9, 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 Clyde, Member Moss, Alternate Martinez.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Associate Engineer Powers, Accounting Specialist Rubio, Directors Gasca and Brazier.

Absent: Member Ross.

There were no public members present.

4. **SEATING OF ALTERNATES**

Alternate Martinez was seated to participate in Member Ross' absence.

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 comments.

COMMITTEE ACTION ITEMS

7. **COMMITTEE MEMBER COMMENTS**

Mr. Stitle asked for an update on the Gopher Canyon water break. Mr. Kennedy explained a hydrant lateral let go early in the morning earlier this week where two cars had crashed. He noted RMWD had the water under control with thirty minutes with the road closed with traffic control for approximately five hours to allow SDG&E to come check on wires.

*8. **APPROVAL OF MINUTES**

A. April 11, 2017

Mr. Stitle noted on Page 3, second paragraph should be "pre-fund" as opposed "pre-fun".

Motion:

To approve the minutes as corrected.

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

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

Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.

9. DISCUSSION AND POSSIBLE ACTION TO APPROVE AUDIT

Mrs. Martinez gave a presentation as she reviewed the final draft of the FY2016 audit which was provided as a handout to the committee members. She pointed out RMWD's audit met the unqualified clean statement of opinion, which is the desired result.

Discussion ensued.

Motion:

To recommend the Board approve the audit.

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

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

Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.

10. DISCUSSION AND POSSIBLE ACTION REGARDING DRAFT BUDGET FOR FISCAL YEAR 2017-2018

Mr. Kennedy pointed out there will be a joint meeting with the Board and the Budget and Finance Committee meeting on May 23, 2017 at which he will not be present.

Mrs. Martinez gave a presentation on a rough draft of the Fiscal Year 2017-2018 budget to review a few objectives and critical success factors. Mr. Kennedy pointed out one of the things different this year than in the past is having the objectives lined up including how to meet those objectives; therefore, there will be more emphasis on achieving the strategic goals and objectives and how it may or may not impact the budget.

Discussion ensued regarding the staff analysis.

Mr. Clyde asked for an update on the Avocado Festival. Mr. Kennedy talked about the materials and videos RMWD displayed as well as how there was a great deal of community contact made.

Mrs. Martinez pointed out Human Resources has been moved to its own Cost Center from the Administration Cost Center. She noted Human Resources has budgeted a temporary employee for \$50,000. Mr. Kennedy pointed out there was a Human Resources Technician position last year which was eliminated; however, since Mrs. Harp has been working diligently to get this department caught up, there was a need for temporary help. He there was no anticipation in terms of having a need for a second full time person; however, there may be an ongoing need to have additional support.

Mrs. Martinez talked about the detailed list provided on vehicles. She noted staff deferred two vehicles after reviewing RMWD's operational needs. Discussion followed.

Discussion ensued regarding the Capital Improvement projects.

Mrs. Martinez reviewed the water demand projections as well as revenue adjustments. She mentioned there was consideration being given to increasing the RMWD pass through costs. Mr. Kennedy pointed out if RMWD does not start gradually increasing rates now, the District will more than likely find itself in a bad situation in a few years.

Mr. Stitle requested the information provided at this meeting be forwarded to the committee members prior to the May 23rd joint meeting with the Board.

Mrs. Martinez mentioned some of the number are not concrete and how there may be some labor cost changes once the employee contract negotiations are finalized.

11. DISCUSSION AND POSSIBLE ACTION REGARDING CAPACITY FEES

Mr. Kennedy stated this information was discussed with the Engineering Committee. He noted the system engineering utilizes may subject RMWD to some challenges; therefore, there were some acute changes made by the consultant which he provided additional detail.

Mr. Kennedy continued to review all the information provided in the handout. He concluded by pointing out both the water and wastewater capacity fees as well as any relative components. He explained the steps to follow leading up to the Board's final consideration for adopting the proposed capacity fees at their June 27th meeting.

Motion:

To suggest the Board release the Capacity Fee Study for public comment.

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

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

Ayes: Member Stitle, Member Hensley, Member Clyde, Member Moss, Alternate Martinez.

12. DISCUSSION REGARDING BILLING FORMAT REDESIGN

Mr. Kennedy stated this item would need to be deferred until next month at which time the consultant will give a presentation. He explained some of the services the new consultant can provide.

13. DEVELOPER UPDATE

Mr. Powers mentioned not much has changed in the developer projections. He noted Horse Ridge Creek anticipates having models by July 2017.

Mr. Kennedy inquired about the 276 5/8" meters being installed in 2019. Mr. Powers explained these were for condominium projects being developed in Bonsall. He noted this was based on information provided at meetings and how projects more than often get pushed back.

Discussion ensued regarding development in Bonsall.

Mr. Kennedy talked about the information provided in the handout. He noted there was a reduction in the sewer projections and a modest increase in water. Mr. Powers mentioned the Pala Mesa Highlands just finished putting in the line last week and Golf Green Estates was well on their way in putting in the wet utilities. Discussion followed.

Ms. Moss stated it has been stated closing of any acquisitions will not take place for at least another year past the originally anticipated dates. Mr. Kennedy suggested RMWD engineering staff move projects over by twelve months, it will assist RMWD in remaining conservative in budget projections. He suggested implementing some type of waiting time on some projects to assist with the budget forecasting process as a means of eliminating surprises when changes in projections takes place.

Ms. Moss explained how looking at the tract numbers will assist with properly forecasting the development projections more accurately. Discussion followed.

Mr. Kennedy requested Engineering push some of the developments out would assist in providing more accurate information in the rate model going forward.

14. DISCUSSION REGARDING CALPERS PENSION LIABILITY

Mr. Kennedy noted certain aspects of this matter pertains to labor negotiations; therefore, he would not be able to discuss this matter in too much detail. He pointed out the unfunded liability has decreased.

Discussion ensued regarding how CalPers may be impacted when employees draw from Social Security.

Mr. Kennedy explained how through labor negotiations attempts were being made to manage post-employment benefits in the current fiscal years as opposed to leaving them until employees retire. He noted this was a property right given to employees over several Memorandum of Understandings for years; therefore, it could not be just stripped away but rather phased out through a transitioning process.

15. REVIEW THE FOLLOWING:

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

Mrs. Martinez referred to the handouts provided to the committee members.

Discussion ensued regarding the current water sales including projected forecasts.

Mrs. Martinez talked about funding and reserves.

Mr. Kennedy announced RMWD was giving Springbrook one more attempt at meeting RMWD's needs including reporting systems; however, it remains unclear if this will ever happen which may in turn lead to researching other options.

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

It was a presentation by InfoSend, Inc., the Capacity Fee Study, budget updates, and rate increases should be on the next agenda.

17. ADJOURNMENT

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

The meeting adjourned at 3:26 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary