



BUDGET AND FINANCE COMMITTEE MEETING

RAINBOW MUNICIPAL WATER DISTRICT

Tuesday, July 9, 2019

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

District Office	3707 Old Highway 395	Fallbrook, CA 92028
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Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, July 9, 2019.

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: 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. June 11, 2019
9. **INFOR CLOUDSUITE FINANCIAL UPDATE**
10. **INFOR UTILITY BILLING UPDATE**
11. ***INFOR PUBLIC SECTOR AND FINANCIAL SERVICES CHANGE ORDERS***
12. **FLUME PROJECT UPDATE**
13. **AUDIT UPDATE**

- 14. REVIEW PRINTED VERSION OF FISCAL YEAR 2019-2020 BUDGET BOOK
- 15. REVIEW THE FOLLOWING:
 - A. Statement of Revenue and Expenses
 - B. Balance Sheet
 - C. Treasurer's Report
- 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

7-5-19 @ 9:45 a.m.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JUNE 11, 2019**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on June 11, 2019 by Member Moss in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:04 p.m. Member Moss presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

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

Also Present: Executive Assistant Washburn, Finance Manager Largent.

Absent: Member Stitle, Member Ross, General Manager Kennedy.

One member of the public was present.

4. **SEATING OF ALTERNATES**

Ms. Moss stated Mr. Nelson would be seated as an alternate for this meeting.

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

There were no changes to the agenda.

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

Ms. Moss commented on the work RMWD was conducting in her neighborhood and how the loading and unloading of equipment should be located on Old Highway 395 to avoid damaging the street the HOA may seek reimbursement.

COMMITTEE ACTION ITEMS

7. **COMMITTEE MEMBER COMMENTS**

There were no comments.

*8. **APPROVAL OF MINUTES**

A. May 14, 2019

Motion:

To approve the minutes.

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

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

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

9. WATER RATE DECOUPLING OPTIONS/BRANSTORMING (WITH RAFTELIS)

Ms. Largent introduced Sudhir Pardiwala and Andrea Boehling from Raftelis.

Mr. Pardiwala noted he would be going over the scope of work to be conducted as well as continuing the rate structure while keeping RMWD in compliance, especially when water rates have been extensively litigated in California. He cautioned if there are customers to be impacted, the District must be careful in terms of how the rates are designed to ensure regulatory requirements are met and the rates are consistent with the manner in which the industry views the rates.

Mr. Pardiwala explained today was an introductory meeting with the committee to hear the committee's thoughts and then take that information to determine how to best design the rates, reviewing any elements associated with RMWD moving from SDCWA to Eastern Municipal Water District, and any impacts on customers. He noted the scope will be presented to the District at a Board meeting.

Ms. Largent added the scope was not provided as part of the agenda packet due to staff making some modifications to the scope. She pointed out Ms. Boehling would be a sub-consultant on this project.

Ms. Moss noted it was important not to complicate the matter, but rather adequately focus on the fixed rates that are appropriate. Mr. Pardiwala explained RMWD would be unique in California should the District decide to go to a fixed rate structure because the idea was more to keep variable rates to incentivize conservation. He said in general, the trend is going toward higher fixed charges in California simply due to the drought plus significant revenue impacts to utilities as well as to mitigate impacts that may result.

Mr. Gasca asked if there was an opportunity to offer senior citizens assistance. Ms. Largent stated RMWD does not have this available. Mr. Pardiwala explained the problem is having senior citizens subsidized by charging other customers a higher rate. He noted before Proposition 218 this was very common; however, under Proposition 218 does not allow for this any longer even though there are agencies still providing such assistance to their senior citizens which can be challenged. Ms. Boehling added if the agency has other sources of revenue, it can be used to offset or lower those rates without other customer classes subsidizing the rates which RMWD does not have much in the way of other revenues.

Ms. Moss asked how RMWD compares with other agencies with higher agricultural percentages. Mr. Pardiwala explained it becomes very challenging and complicated to reach a rate for all customer classifications.

Discussion ensued regarding the committee's ideas to help Raftelis best design the rate structure for the District.

Discussion ensued regarding water use compared to meter size.

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Ms. Largent inquired if it would be possible to have all of RMWD rates charged as a fixed fee except for a variable on the pass-through rates that are variable. Mr. Pardiwala explained this was possible; however, it would have to be designed in the correct manner. Ms. Largent asked what drivers the committee would want to be utilized for those fixed costs. Ideas were shared by the committee. Mr. Pardiwala explained why having different rates in different areas would not be best as it would break up zones based on the amount of pipe each customer utilizes.

Mr. Nelson explained the steps involved that generated brainstorming about what other factors could be used to bring in the financial outliers so everyone does not have a massive increase in their fixed costs. Discussion ensued.

Discussion ensued regarding peak use hours and meter sizes.

Mr. Pardiwala explained according to Proposition 218, RMWD cannot arbitrarily increase water rates for someone using more water because it must be tied to some cost for providing service. He added the methodology for allocating costs based on what it costs to serve customers has been identified and clearly stated which must be followed to make sure to comply with Proposition 218. He noted it may be possible to decouple the fixed charges from the meter sizes; however, this must be researched to ensure RMWD does not run afoul of Proposition 218.

Mr. Hensley suggested putting a larger share on the selling price of the water and then adjust the rates when not enough water is sold while keeping the fixed cost at a lower level back to the 30% level and simply increase the water rates so those using more water are automatically increasing their bills. Mr. Nelson stated RMWD wants to at least be considerate of the agricultural users to avoid driving the costs up so high by increasing the variable rate the nature of the community changes from rural to urban. Discussion ensued.

Ms. Largent said she would finalize the scope and share a copy with the committee. She stated she found the direction provided to Mr. Pardiwala and Ms. Boehling to be very good.

Mr. Gasca inquired as to the anticipated end date for this study. Ms. Largent responded October or November 2019. Mr. Gasca stated there has to be a priority in what needs to be done to meet this deadline. Discussion followed.

Mr. Nelson asked if the scope will look at the possibility of using reserves and other funds to phase in this approach over a 2-3 year period. He also wanted to know will the possibly of decoupling the capital program from the operations and maintenance in terms of finding an alternative mechanism through the rates to fund the capital program. Ms. Boehling stated it would be fairly simple to put capital replacement as a separate charge; however, the District does want to look long term with a measured approach as opposed one year to the next. Discussion continued.

The committee members thanked Mr. Pardiwala and Ms. Boehling for attending the meeting today.

Member Moss called for a break at 1:52 p.m.

The meeting reconvened at 1:58 p.m.

10. FISCAL YEAR 2019-2020 FINAL BUDGET REVIEW

Ms. Largent gave a budget review presentation including budget assumptions, water fund operating budget summary, general fund, wastewater fund operating budget summary, various charts, and capital funds. She gave an overview of the items that were added to the budget following the joint committee Board meeting; these items included SDCWA's 11% increase in pass-through fixed costs, the Raftelis rate study, and the ZION/Meter Replacement debt service costs.

Mr. Hensley suggested RMWD look at data collected in January to determine if the District can be more conservative in water sales.

Ms. Largent noted there will need to be a review of the wastewater rates during the rate study process.

Mr. Gasca asked the loans noted on the Fund Projection Sewer worksheet be clarified. Ms. Largent offered to change those to "loans" or "possible financing".

Mr. Hensley suggested adding a column showing what the numbers would be based on all the other assumptions being made if the sales volume decreases by 5%.

11. INFOR CLOUDSUITE FINANCIAL UPDATE

Ms. Largent reported there was success in printing checks and how Kinsey would be coming onsite next week to perform some final testing and training. She explained some of the final steps involved with the testing and verification processes. She stated it appears everything was on target to go live on July 1, 2019.

12. INFOR UTILITY BILLING UPDATE

Ms. Largent reported staff was doing a hard push to go live on July 1st. She explained some of the challenges that needed to be worked out and test transactions were in progress with staff training scheduled for June 15th.

13. FLUME PROJECT UPDATE

Ms. Largent noted information on the Flume project provided in the newsletter was mailed out with the June customer billings statements as well as in email blasts to being sent to approximately 500 customers at a time. She explained the units cost \$199; however, the District was supplementing the cost and that customers will be paying the \$49 annual subscription costs.

***14. AUDIT UPDATE**

Ms. Largent referenced the audit letter provided in the agenda packet noting the auditors will be visiting the District on June 24, 2019 to perform an inventory. She stated interim audit was scheduled for July 15-17, 2019 with the final audit being conducted September 16-19, 2019. She confirmed RMWD was utilizing the same auditor from the previous audit.

***15. REVIEW THE FOLLOWING:**

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

Ms. Largent reviewed the information provided in the reports with the committee members. She went over the account additions on the Treasurer's report that were made as a result of reviewing the District's investments and future capital fund projections with the District's financial advisor. She explained all funds under the Treasurer's span of control should be included on the Treasurer's Report per Board policy.

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

It was noted all of the same items on this agenda with the exception of Items #9 and #10 would need to be on the next agenda.

17. ADJOURNMENT

The meeting was adjourned by Member Moss.

The meeting adjourned at 2:35 p.m.

Pam Moss, Committee Member

Dawn M. Washburn, Board Secretary

