

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
DECEMBER 10, 2019**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on December 10, 2019 by Chairperson Stitle in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:05 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, Finance Manager Largent.

Absent: Member Moss, Customer Service Supervisor Rubio.

One member of the public was present.

4. **SEATING OF ALTERNATES**

Mr. Nelson was seated as an alternate for this meeting.

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

Ms. Largent suggested moving Item #12 up before Item #9 for the purpose of the presentation as well as adding the review of the Cash Reserve Compliance Report to Item #13. There were no objections.

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

There were no comments.

7. **COMMITTEE MEMBER COMMENTS**

Mr. Stitle announced this was his last meeting. He said he has enjoyed serving for the last ten years.

*8. **APPROVAL OF MINUTES**

A. November 12, 2019

Mr. Ross pointed out on Page 5 of 5, "Capitol Projects" should be "Capital Projects".

Mr. Nelson referenced Item #13 as he noted he was interested in being moved from an alternate to a regular member on the committee. He pointed out the word "more" should be "less" in Item #14.

Motion:

To approve the minutes as amended.

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

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

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

Discussion went to Item #12.

9. REVIEW OF DISTRICT'S POWER EXPENSES

Ms. Largent noted RMWD's SDG&E bills have averaged approximately \$45,000-\$50,000 per month. She noted Mr. Gasca wanted staff to see if there is a cost benefit to utilizing solar. Mr. Kennedy pointed out staff was currently researching the options.

10. RATE MODEL UPDATE

Ms. Largent reported the rate model presentation given to the committee was to go before the Board at their December 3, 2019 meeting; however, the agenda was too full. She noted it would go to the Board on January 28, 2020 after which she will have feedback to provide to this committee. She stated in the interim she will continue to work with Ms. Boehling and notify the Board the committee has recommended waiting on a rate increase and possibly look at implementing one later in the year depending on how the SDCWA detachment progresses.

Mr. Stitle asked if Ms. Boehling's work was complete. Ms. Largent said it was not and how RMWD will continue to work with her once the Board provides direction. She added the Board will receive the same presentation given to this committee in January.

11. SOFTWARE UPDATE

Ms. Largent stated the reporting has improved, the billing and dynamic portal was now stable. She explained staff was focused on working in IPS (utility billing) with the meter exchange process so the District is ready to go for the Water Service Upgrade Program as a means of minimizing the number of customer inquiries. Discussion followed.

Discussion went to Item #13.

12. AUDIT REPORT UPDATE

Ms. Largent introduced the auditors who will provide a presentation showing the findings and summary of the District's financials.

David Foreman from White, Nelson, Diehl, Evans introduced himself noting it was their firm that conducted the fiscal year ending June 30, 2019 audit of RMWD's records. He stated it was their third year conducting the District's audit with the report provided on November 27, 2019 which was the earlier than the previous audit completion. He explained the audit process as well as clarified the auditors do not give an opinion on the District's internal controls.

Mr. Hensley asked what would be done should a serious potential internal control problem be discovered. Mr. Foreman stated the management staff would be notified.

Mr. Stitle inquired as to the value of RMWD's capital assets. Mr. Foreman explained capital assets should be reported at the cost paid for them originally (regardless of time) followed by taking an annual right off for depreciation for those costs. Discussion ensued.

Mr. Foreman continued with his presentation and solicited the committee for questions or comments.

Discussion ensued regarding water revenues.

Mr. Foreman clarified the audit report will be brought to the full Board at their January 28, 2020 meeting.

Discussion went to Item #9.

13. REVIEW THE FOLLOWING:

- A.** Statement of Revenue and Expenses
- B.** Balance Sheet
- C.** Treasurer's Report
- D.** Surplus Property Report
- E.** Outstanding Construction Units Report
- F.** Cash Reserve Compliance Report

Ms. Largent reviewed the Cash Reserve Compliance Report provided as a handout noting the same will be provided to the Board in January along with the committee's recommendation. She explained it was a requirement of the Cash Reserve Policy to report these balances to the Budget and Finance Committee and Board of Directors on an annual basis. She noted this was something that could not be done until the audit is complete and the financials are closed for the year. She pointed out RMWD's operating reserve requires there to be two months of operating expenses not including the cost of water. Discussion ensued.

Ms. Largent referenced the Statement of Revenue and Expenses for August year-to-date with the changes incorporated recommended by the committee last month. She confirmed this was one of the new reports. She added at the January Board meeting, her goal was to have September and October reports completed.

Ms. Largent noted the Capital Projects were updated per the Engineering Department records.

Mr. Stitle inquired as to the expense suspense revenue. Ms. Largent explained this was an open incident she has with Infor noting there was not a great deal of transparency into the General Ledger from IPS to CloudSuite, so she has escalated this issue to figure out what is posting to suspense. Discussion followed.

Mr. Ross requested period-to-period comparisons. Ms. Largent agreed to add these.

Discussion ensued regarding the investment accounts. Ms. Largent recommended looking at the fund balance projections since it is all inclusive of all the District's cash and available equity. She pointed out where these could be found in the handouts provided.

14. MEMORANDUM OF UNDERSTANDING WITH EASTERN MUNICIPAL WATER DISTRICT UPDATE

Mr. Kennedy stated the Board approved a Resolution to authorize the General Manager to file the application to LAFCO. He noted FPUD took some action at their Board meeting and EMWD would also be considering passing a resolution indicating their support. He explained there was some fine tuning being conducted on the staff reports and analysis for the plan for service as well as the water reliability analysis for final presentation to LAFCO. Discussion followed.

15. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2020 COMMITTEE OFFICERS

Motion:

To move Mr. Nelson from alternate to a regular committee member.

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

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

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

Mr. Ross thanked Mr. Stitle for his service. He noted his schedule is very challenging; however, he was happy to continue to serve as Vice Chairperson but cannot commit to serve as Chairperson.

Mr. Gasca pointed out he was removing himself from service as Chairperson due to his serving on the Board of Directors; however, he would be willing to serve as Vice Chairperson.

Motion:

Mr. Nelson serve as Committee Chairperson.

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

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

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

Motion:

Mr. Ross continue to serve as Committee Vice Chairperson.

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

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

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

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

It was noted the MOU with EMWD update, Water Service Upgrade Program update, and rate model update be on the next agenda and software updates can be removed from future agendas.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Stitle.

The meeting adjourned at 2:17 p.m.

Randy Moss, Committee Vice Chairperson

Dawn M. Washburn, Board Secretary