

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 12, 2020**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on May 12, 2020 by Vice President Ross in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:06 p.m. Vice President Ross presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Ross (via video teleconference), Member Hensley (via video teleconference), Member Moss (via teleconference), Member Gasca, Member Nelson (*arrived at 1:22 p.m.*), General Manager Kennedy (Not voting), Executive Assistant Washburn (Not voting), Finance Manager Largent (Not voting).

Present via video teleconference:

Human Resources Manager Harp, Senior Accountant Rubio, District Engineer Strapac.

No members of the public were present.

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

There were no amendments to the agenda.

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

There were no comments.

6. **COMMITTEE MEMBER COMMENTS**

There were no comments.

*7. **APPROVAL OF MINUTES**

A. March 10, 2020

Mr. Hensley pointed out one of the dollar amount on Page 2 of 5 of the minutes should be changed from \$25,000 to \$2,500.

Motion:

To approve the minutes as revised.

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

Vote: Motion passed unanimously by roll call vote (summary: Ayes = 4).

Ayes: Member Ross, Member Hensley, Member Moss, Member Gasca.

Absent: Member Nelson.

8. OPERATING BUDGET FY 2020/2021 REVIEW

Mr. Kennedy mentioned there were a couple key perimeters that are challenging in preparing this budget. He said one is SDCWA will not be disclosing their pass-through rate increases until June and the other is the sharp reduction in RMWD's water sales again.

Mr. Gasca asked if there were any estimates made as to how much the SDCWA increases could be. Mr. Kennedy stated he reached out to the SDCWA to which they said it would be between a high or low forecast; however, there was not a definite answer. Ms. Largent said she was told SDCWA would have an answer at the end of this month.

Mr. Ross asked if Eastern Municipal Water District (EMWD) has confirmed their rate increases. Mr. Kennedy explained EMWD passes through the Metropolitan Water District (MWD) costs which MWD has confirmed to be 3%.

Ms. Largent presented the Fiscal Year 2020-21 RMWD Proposed Operating Budget and Capital Improvement Plan as she reviewed the information contained in the presentation. She noted Meadowood was excluded since the development was not expected to go online in the next fiscal year in terms of connections.

Discussion ensued regarding the water demand forecast.

Mr. Nelson joined the meeting at 1:22 p.m.

Discussion ensued regarding scheduled shutdowns.

Ms. Largent stated the key takeaways from the Water Operating Budget Summary was the sales are budgeted at 14,000 acre feet and a rate increase is included as of January 1, 2021.

Ms. Largent referenced the General Fund noting there was rental income decrease as well as the IT department has been moved into its own general fund from Administration and that Finance increased due to staff being moved from Engineering and Customer Service Departments.

Ms. Largent recalled RMWD has been generally budgeting a net loss over the years; however, coming in with actuals breaking even. She said rate increases in wastewater may be considered for January. Mr. Kennedy said at this time staff was not making a formal recommendation to increase wastewater rates. He said the goal is to hold rates as much as possible; however, this would be up to the Board to decide.

Ms. Largent continued with the presentation noting a 5% water loss was factored into the projection. She also pointed out the highlighted new items in the operating budget. Mr. Kennedy explained the 40% increase to property/liability insurance premium was a global impact to the industry. Ms. Largent mentioned Ms. Harp has shared RMWD has \$10M in liability coverage and the budgeted amount for property liability insurance is \$400,000 total. She noted the \$10M was per instance. Ms. Harp will report on the insurance matter at the Board meeting in May.

Ms. Largent continued with the presentation. She explained the information contained in the presentation and provided additional details upon request. Discussions ensued regarding the Meadowood development and formation of the CFD.

Mr. Kennedy confirmed this was the first review of the draft budget. Ms. Largent added in Years 3, 4, or 5 revenue would need to come from the detachment or rate increases.

Ms. Largent continued with the presentation pointing out key factors. She confirmed the \$5M noted in the Water Capital Fund Balance report was included in the math. Discussion ensued.

Mr. Kennedy stated the main purpose was to put the signals out there something will need to happen should the Meadowood development not happen.

Ms. Largent solicited the committee for direction on the next phase of this budget presentation. Mr. Ross asked Ms. Largent if this presentation was what she would be taking to the Board at their next meeting. Ms. Largent confirmed she would be sharing the same with the Board in May although SDCWA has not provided their increases as of yet which would change the information insignificantly. Mr. Ross said he found the best- and worst-case scenarios appropriate.

Mr. Gasca said he would like a lower number in the amount of water sales as a worst case as well as a higher projection for the SDCWA rate increases of like 10%. He said he would like to have some gauge of potential worst case as opposed to having to delay approval of the budget. He noted last year RMWD project \$17M in water revenue and was now coming in at \$14.5M and how he predicted it to be much lower. He recommended showing the projected water sales at 12,000-13,000 acre feet. Ms. Largent said she would work with the numbers to show the differences with 13,000 acre feet in water sales, a 10% SDCWA rate increase, and a combination of both.

Mr. Nelson asked if there would be a joint Board and Budget and Finance Committee meeting to discuss the budget. Mr. Kennedy confirmed this would be the plan. It was suggested holding this joint meeting in June.

Discussion ensued.

Mr. Nelson complimented Ms. Largent on the presentation she prepared noting how easy it was to understand.

9. CUSTOMER PAYMENT OPTIONS REVIEW

Ms. Largent referenced the handout provided detailing the various types of customer payment options. She mentioned there were twelve different payments options and how some are not generally utilized but have come in handy during the pandemic. She reviewed the list as she solicited for input from the committee as to which of these options should possibly be discontinued. Discussion ensued.

Ms. Moss suggested removing the official payment option. Mr. Gasca stated some customers may use this option to accumulate points. Ms. Largent noted the fees paid for this service are very high and there is only one payment received per month.

Discussion ensued regarding the Interactive Voice Response option. Ms. Largent explained some of the challenges associated with this system and how it has been disabled for 6-8 weeks now.

Ms. Moss recommended removing the last four options listed on the first page of the handout.

Mr. Ross suggested keeping the preferred method of payments and discontinuing the others.

Mr. Nelson said he understands the need to look at the various options with factoring in staff time; however, he agreed with Mr. Gasca that RMWD was here to serve the customers and it was not a function of convenience, but rather one to provide service to its customers. Mr. Gasca stated he likes the idea of making it concise and well-directed. He acknowledged it is a benefit to the District to try to cut unnecessary costs if they are not beneficial to the customers.

Mr. Kennedy said Ms. Largent will refine some additional information and bring back some proposed concepts to the next committee meeting.

Mr. Nelson suggested approaching these changes in phases. Ms. Largent noted some of her concerns with restarting the IVR credit card option. It was decided this one should be left disabled.

10. WSUP UPDATE INCLUDING COMMUNICATIONS

Mr. Kennedy reported the project is underway and specific notices have been sent to customers in Route 11 and Route 34 which are the last areas that had no radio reads on them. He noted once these routes are completed it will save equivalent to two days for two employee each month to walk these routes. He said during the early part of the COVID-19 situation, the project was put on hold for six weeks while determining if these were essential services. He explained during this hold period there were some operations staff replacing meters in some of these areas as a means of continuing some of the progress. He stated one of the biggest changes that may need to be reconsidered by the Board has to do with some backflow devices needing to be moved which may increase the job costs. He pointed out the communications to the customers has been provided in the bills.

Mr. Nelson asked if this was the project where staff was experimenting with building a device to allow for it to be held up. Mr. Kennedy stated this was the project and how staff has been working with Concord as to the best approach for addressing this situation.

11. 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 noted these items were updated for the month. She noted the projects listed in Item #11B were what was approved last year by the Board and will look different in the upcoming budget. She referenced the water sales summary report noting how it shows where RMWD was trending for FY20 compared to FY19.

12. COVID-19 UPDATE

Mr. Kennedy pointed out RMWD transitioned to working remote effective March 15, 2020. He complimented the Customer Service staff for the making the necessary adjustments to working from home. He said operationally staff started not having everyone congregate in the operations trailer and how some were reporting directly to jobsites as well as working on staggering schedules. He noted all employees are required to wear masks and complete daily tracking reports of who they come in contact around the District for notification purposes should someone show signs of COVID-19 symptoms. He said the transitioning back into the offices was starting to take place.

Mr. Kennedy mentioned a new concern was the Governor has made it available for those who become infected with COVID-19 eligible for a Worker's Comp claim irrespective of where the individual caught the virus. He said the goal of RMWD as an employer is to take every step possible to show the District has tried to prevent transmission at the workplace as a means of protecting itself from such claims and taking preventative measures; however, this was part of the Executive Order and it was unknown how RMWD could be impacted should an employee become infected. Discussion ensued.

Mr. Kennedy said he would not be surprised if the situation lasted until the Fall absent some type of breakthrough.

Mr. Nelson asked if RMWD was able to have at least one person present in customer service in the event customers do come into the office. Mr. Kennedy stated this was currently being explored and something staff wants to achieve as part of the reopening process.

13. GENERAL MANAGER COMMENTS

Mr. Nelson suggested it may be helpful to hear the General Manager comments at the beginning of the meeting as opposed to the end. He asked the committee members for their input; there was no objection.

Mr. Gasca suggested adding an item at the end of the committee agenda titled "Finance Manager's Focus for the Coming Month". There was no objection.

Mr. Kennedy reported the RMWD made its application to LAFCO in the middle of March noting SDCWA responded to LAFCO on the matter. He said although LAFCO did not make any decisions and how it may remain quiet for a few months, Diane Jacobs recommended an ad hoc committee meet to work out the details and concerns related to the detachment matter.

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

It was noted the budget, an Infor software implementation update, insurance options, staffing analysis, WSUP update, and COVID-19 update including a report on staff time adjustments related to the COVID-19 situation be on the next agenda.

It was noted a joint Board and Budget and Finance Committee Board meeting will be held on June 23, 2020.

15. ADJOURNMENT

Mr. Nelson adjourned the meeting to June 9, 2020.

The meeting adjourned at 3:03 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary