

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
OCTOBER 11, 2022**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on October 11, 2022, by Chairperson Nelson at 1:00 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 *(All meetings are being held with in-person attendance following County and State COVID guidelines as well as virtually.)* Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Member Hensley, Member Johnson, Member Nelson.

**Absent:** Member Stewart.

**Also Present:** General Manager Kennedy, Customer Service Representative Kilmer, Finance Manager Largent, Accounting Supervisor Poole, Information Systems Specialist Espino, Alternate Williams.

**Also Present Via Teleconference or Video Conference:**

Human Resources Manager Harp, Grant Specialist Kim.

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

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

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

5. **SEATING OF ALTERNATES**

There were no alternates seated.

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

Ms. Largent pointed out she will be reviewing the Cash Reserve Policy as part of Item #14.

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

There were no comments.

**\*8. APPROVAL OF MINUTES**

**A.** August 9, 2022

***Motion:***

***To approve the minutes.***

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

***Vote: Motion carried by unanimous vote (summary: Ayes = 3).***

***Ayes: Member Hensley, Member Johnson, Member Nelson.***

***Absent: Member Stewart.***

**9. GENERAL MANAGER COMMENTS**

Mr. Kennedy updated the committee on the LAFCO process related to the detachment efforts noting LAFCO was writing their staff report. He noted a draft is expected within the next two weeks for the ad-hoc advisory committee to review at their upcoming meeting; however, the report will not make it to the Commission until early 2023 for a vote.

Mr. Nelson asked whether the report would be something manageable in size. Mr. Kennedy stated he presumed it would be manageable.

**10. FINANCE MANAGER COMMENTS**

Ms. Largent deferred her comments to the agenda items.

**11. COMMITTEE MEMBER COMMENTS**

There were no comments.

**12. IN-HOUSE JANITORIAL ANALYSIS**

Mr. Kennedy explained it has been challenging to obtaining and retaining competent janitors; therefore, staff conducted an analysis to determine whether it would be beneficial to have basic janitorial services provided in-house.

Ms. Harp shared a presentation noting she researched the market on what it would cost to hire a full-time, in-house custodian type of position compared to other agencies within the local area and found approximately \$20.00 per hour for a starting rate would be competitive. She explained the comparison of this information with the two current proposals for outside janitorial services with factoring in additional costs associated with promoting a position to supervise this role, costs for cleaning supplies, reductions in outside spending for general handyman job, outsourced janitorial contracts, current project manager costs spent working facilities tickets. She reported the comparison found that having in-house janitorial services for 30-32 hours per week, RMWD would save approximately \$27,000 over five years and for 40 hours per week, the savings would be approximately \$126,000 over five years. She pointed out; however, when comparing the 40-hour full-time employee to the 32-hour janitorial contact, RMWD would spend approximately \$30,000 more on the operations budget.

Ms. Harp stated although the annual differential amounts to approximately \$6,000 additional costs per year, there were also other qualitative benefits to consider should it be decided to proceed with an in-house position such as having an additional person in the warehouse to assist with inventory control, backup for the purchasing position, increased safety when there are tasks involved with lifting, as well as a number of miscellaneous requests with which the purchasing position is tasked due to them being on-site. She noted there would also be someone in-house to do odd jobs, allow the purchasing position to take the lead on the facility tickets, reduce staff time to manage the outside janitorial contract, as well as having a more secured position due to background checks being conducted which do not take place for outside contracts.

Ms. Harp mentioned there are some risks with in-house janitorial services in terms of high turnover resulting in recurring recruitment and turnover costs, employment liability should there be injuries incurred, or a more cumbersome process to end the relationship should the performance not meet expectations.

Ms. Harp stated the most likely best scenario would be to hire a full-time position for in-house janitorial services. She added RMWD did historically have an in-house custodian years prior and how that individual is now one of the District supervisors who was consulted regarding the typical tasks for this role.

Mr. Hensley inquired as to staff's recommendation. Ms. Largent stated she would like to take a closer look at the financials before making a recommendation. Mr. Williams said with considering keeping the janitorial contract going along with facility tickets being assigned to project managers, not including the additional requests being filtered to the purchasing position, this analysis provided a great deal of information.

Mr. Kennedy agreed this position, if approved, would be part janitorial services and part maintenance technician which in turn would create an offsetting benefit by freeing up higher-priced project managers to focus on their tasks. He noted staff only seeking input from the committee at this point.

Mr. Hensley asked to which position would the janitor report. Ms. Harp answered it would be most likely the person assigned to purchasing.

Ms. Johnson recommended staff consider a flex of overlap in working hours so that the noisy tasks could be conducted after hours, but not be at the District without supervision. She also suggested there be a detailed job description prior to starting the recruitment process to define each of the multiple tasks mentioned. Ms. Harp mentioned staff has been discussing potential flexible scheduling and how the job description would be modeled after others she has obtained that include the tasks discussed. Ms. Johnson expressed her other concern would be the security of the site.

**\*13. VARIANCE REQUEST FOR CUSTOMER ROSAS-RAMIREZ**

Ms. Largent explained this customer is building a house on a two-acre lot which under RMWD's code requires a 1" meter. She said the customer is requesting a variance because they say they have no plans to plant a grove, landscaping, or having livestock; however, those are not the reasons for which RMWD requires a 1" meter. She explained RMWD has determined that a reasonable amount of time to look at usage is twelve months and when a new home is being built, the District uses the lot size.

Ms. Largent pointed out a similar variance request that came before this committee in April 2022, which was ruled against a variance, but rather required the customer to install a 1" meter and keep the service for twelve months before they would be allowed to apply for a downsize.

Mr. Hensley inquired as to whether the customer has started building. Mr. Williams answered the customer has not received an approved building permit yet; therefore, construction has not begun.

Ms. Largent stated staff does not want to go with a departure from the capacity class study; therefore, staff was recommending proceeding with what has been determined as appropriate for the property size. She confirmed the customer was aware they could apply for a reduced meter size based on their usage after twelve months.

Mr. Nelson asked what the difference in capital costs would be. Ms. Largent stated it would be just under \$10,000 for the capacity fees and \$46.00 in the fixed fees per month. Mr. Nelson stated, in general, he would vote in accordance with the staff recommendation; however, he wanted to offer a recommendation that RMWD show a little bit of financial consideration on behalf of the customer that should they come in and make a representation such as this, RMWD do the opposite by giving them the 3/4" meter and then conduct a twelve-month analysis at which time it is discovered the customer is using more water, they are required to pay more as opposed to starting off in the hole with unrecoverable expenses.

Mr. Kennedy noted Mr. Nelson's recommendation highlights one of the challenges in the District's structure in which it has a mechanism to for customer to bring down their costs should they utilize less water, but nothing for the opposite which is where the variable fixed charges come into play.

Mr. Nelson expressed concern that the fact the customer is compelled to outlay a huge capital cost with no means of ever recovering such is troublesome. Mr. Kennedy stated it may be time for staff to review the current structure and see if something could be put together that is more general. Mr. Williams pointed out it would also require the District to mandate that the 1" lateral be installed at the main to avoid additional costs.

Mr. Nelson said he has no alternative except to vote in favor of staff's recommendation, he would do so with some reservation. Mr. Kennedy asked Ms. Largent and Mr. Williams to see if there was a way to put something together in the opposite to which the customer could agree.

Mr. Hensley suggested RMWD charging the customer the higher amount in the beginning and then issue a credit up to a certain percentage should RMWD determine the customer should have had a 3/4" meter after twelve months of usage. Discussion ensued.

Ms. Johnson expressed concern that if there is a deviation from the current structure for this customer when another was denied the same request, it could be problematic. She also noted another concern would be how it was determined this customer would need a 3/4" meter without expertise involvement. Discussion followed.

This item was postponed to a future committee meeting.

#### **14. AUDIT UPDATE**

Ms. Largent reported the audit went well and was clean again this year. She noted following the audit completion, cash reserve policy balances for each fund are updated. She shared the updated cash reserve balances with the committee as she reviewed each of the account as well as any adjustments.

Discussion ensued regarding the recap of the Water Service Upgrade Project costs.

Mr. Nelson asked for confirmation that the \$2 million transfer was due to a 14% increase in the cost for materials and supplies. Ms. Largent stated the majority was for supplies and services due to inflationary factors, additional main breaks, and costs associated with unanticipated shutdowns. Mr. Nelson said this would imply RMWD spent more than budgeted due to these situations. Ms. Largent confirmed this was correct as well as noted she has met with each of the managers to put some more safeguards in place so that when something goes over, another line item would be adjusted, or spending would be pulled back from other areas.

Ms. Johnson asked if these types of conversations are occurring at the Engineering and Operations Committee meetings. Mr. Nelson stated no because this is more on the financial impact side as opposed to a capital expense. Discussion ensued.

Ms. Largent continued with her presentation and reviewing each of the funds.

Mr. Nelson asked how the reserve levels are calculated. Ms. Largent explained they are calculated based on the expenditure levels for the next five years. Discussion ensued regarding the costs associated with the Lift Station 1 project.

Ms. Johnson inquired as to purchase order approval processes. Ms. Largent stated the department managers are responsible for approving each of their purchase orders; however, she needs to help them have a more transparent view given them an idea of what they have spent compared to what they committed to in future spending in purchase orders. Ms. Johnson asked if there was a fund available for general emergencies. Ms. Largent noted this was generally the purpose of minimal reserves. Discussion continued.

Discussions ensued regarding the safeguards being implemented as well as what will transpire should it be found RMWD is out of money with more needs to be fulfilled.

Mr. Nelson asked if the reserves add up to approximately \$20 million. Ms. Largent confirmed all-in cash and investments does total \$20 million. Mr. Nelson asked how this compares to last year. Ms. Largent stated last year it was at \$25 million and the year prior \$32 million; however, the reduction is due to money being spent that was previously kept on hold.

## **15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET**

Ms. Poole provided a brief report on the finance packet. Discussion ensued regarding projecting water sales and weather conditions.

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

It was noted an updated on the Rosas-Ramirez variance, the wastewater cost of service study, presentation of the final audit numbers, and discussion regarding the budget versus actual safeguards should be on the next committee agenda.

Mr. Williams gave a brief overview of the Wrike software program. Discussion followed.

**17. ADJOURNMENT**

*The meeting was adjourned by Chairperson Nelson.*

The meeting adjourned at 2:29 p.m.

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**Flint Nelson, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**