



**BUDGET AND FINANCE COMMITTEE MEETING**

**RAINBOW MUNICIPAL WATER DISTRICT**

**Tuesday, December 11, 2018**

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

**District Office**

**3707 Old Highway 395**

**Fallbrook, CA 92028**

Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, December 11, 2018.

**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. November 13, 2018**

**9. FINANCIAL PLAN AND 2019 WATER RATE REVIEW**

**10. AUDIT REVIEW AND FINALIZING**

**11. CAPITALIZATION POLICY REVIEW**

**12. REVIEW THE FOLLOWING:**

- A. Income Statement
- B. Balance Sheet
- C. Cash Flow
- D. Treasurer's Report

**13. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2019 COMMITTEE OFFICERS**

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

**15. ADJOURNMENT**

**ATTEST TO POSTING:**

  
Hayden Hamilton  
Secretary of the Board

11/27/18 @ 3:00 p.m.  
\_\_\_\_\_  
Date and Time of Posting  
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
NOVEMBER 13, 2018**

**1. CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on November 13, 2018 by Vice Chairperson Ross in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Vice Chairperson Ross, presiding.

**2. PLEDGE OF ALLEGIANCE**

**3. ROLL CALL:**

**Present:** Member Ross, Member Hensley, Member Moss (*arrived at 1:10 p.m.*), Member Gasca, Alternate Nelson.

**Also Present:** General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent.

**Absent:** Member Stitle, Customer Service Supervisor Rubio.

One member of the public was present.

**4. SEATING OF ALTERNATES**

It was noted Mr. Flint would be serve as an alternate at this meeting.

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

Mr. Kennedy introduced Tracy Largent, RMWD’s new Finance Manager, to the committee.

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

There were no comments.

**7. REVIEW OF ADMINISTRATIVE CODE POLICY 2.09 – COMMITTEES**

Mr. Kennedy noted the Board requested are review of the committee’s policy be reviewed with all three RMWD committees as well as asked staff to monitor to make sure the appropriate steps are taken to avoid self-dealing and stays clear of any boundaries.

**COMMITTEE ACTION ITEMS**

**8. COMMITTEE MEMBER COMMENTS**

There were no comments.

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Ms. Moss reported on the tours she recently attended and how she found them to be amazing in terms of learning what is transpiring within water system operations. She provided a poster of the California Aqueduct from the 1930's for the District to keep. Mr. Kennedy stated if anyone was interested in attending the Citizens Water Academy they should let him know so staff can get them registered and how upon graduation they would be invited to attend the same type of tours.

Discussion ensued regarding how the rates are broken down on the water bills and the involvement of MWD and SDCWA in setting water rates.

Discussion went to Item #15.

**\*9. APPROVAL OF MINUTES**

**A. October 9, 2018**

***Motion:***

***To approve the minutes.***

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

***Motion passed unanimously.***

**10. ABM UPDATE**

Mr. Kennedy reported the financing was funded. He noted the debt services reserve fund was transferred to the Trustee to hold, which is essentially the last debt payment which will save the District on interest. He explained this means some of the reserves would be restricted in this regard; however, financially it was the best move. He pointed out ABM has some meters they were currently working with IT staff to make sure the transfers go well as well as with the metering staff to establish the protocols and standard procedures. He mentioned the utility billing software implementation was in progress with data loaded and testing has begun. He stated staff has stated they would not be comfortable until February before going live. He noted there were plans to prepare a four-page newsletter explaining the process in more detail; however, that would be delayed until a month before the project start date to be timely.

Mr. Kennedy talked about one of the benefits of having Ms. Largent on board at RMWD is that she has spent several years as a consultant for a software firm doing data conversion and implementation of financial software. He confirmed he was referring to leveraging the full package of Infor software. He stated staff was ready to move payroll from Springbrook to ADP in January 2019.

***Member Moss arrived at the meeting at 1:10 p.m.***

Mr. Kennedy concluded by reiterating the financing went through with one at 3.09% and the other at 3.18% interest rates.

Mr. Hensley asked Ms. Largent if she had experienced with Infor in particular. Ms. Largent stated she worked with numerous software applications including when she worked at a government fund accounting software company where they took all types of software and transitioned them over, but not Infor.

Mr. Gasca asked for an opportunity to review Ms. Largent's resumé so he has a better understanding of her background which in turn makes it easier for him to speak eloquently on

how things are improving at the District. Ms. Largent stated she would be happy to share her resume. Mr. Kennedy offered to direct staff to send the resumés to the committee members. Ms. Largent summarized her diverse background and work experience.

## **11. WATER RATES REVIEW**

Mr. Kennedy stated staff planned to bring the water rates review to the committee as part of preparing to go out for the Prop 218 notice in December; however, with the transitioning of the Finance Manager position there was more detail Raftelis needs to produce the rate model. He noted there was a philosophical question related to the ABM project regarding the justification of water loss which he explained in greater detail. He solicited the committee for their input on the options he provided. Discussion ensued.

Mr. Nelson agreed the model be as much of a reflection of reality as possible; however, he needed some clarification. Ms. Moss recommended having a separate line item in the model. Mr. Gasca asked if there was any benefit to averaging. Discussion followed.

Mr. Kennedy stated he will be asking the Board at the December meeting to hold a Special Board Meeting in early January to comply with Prop 218 requirements. He suggested the Board and Budget and Finance Committee possibly hold a joint meeting on January 8, 2019.

## **12. AUDIT REVIEW**

David Foreman with White Nelson Diehl Evans, LLP gave a presentation entitled “June 30, 2018 Audited Finance Statements (with June 30, 2017 for comparative purposes)”. He mentioned this was the same presentation he would give to the Board with possible revisions. He reported the firm would be giving RMWD a clean opinion.

Discussion ensued regarding the financial reporting for postemployment benefits other than pensions, reserves, surplus, as well as water sales and purchases.

Discussion took place about the comparison made against nine other agencies and RMWD’s Condition Assessment study.

Mr. Foreman referenced the two letters addressed to the District explaining the purpose for each including the two major journal entries made during the audit process. Mr. Kennedy stated he would have Ms. Largent review the information provided as well as talk to Ms. Martinez about the transfer of money into the trust through the CSDDA. Discussion followed.

Mr. Kennedy inquired as to whether the management letters qualifying RMWD for the CSDA District of Distinction audit committee. Mr. Foreman said he honestly does not believe the District can have any management letter issues associated with its audit to achieve this award; however, he agreed this year’s audit was much cleaner than last year’s and the District made great progress. Mr. Kennedy thanked Mr. Foreman for his honesty and encouraged him to look hard and long at everything so improvements are made.

Mr. Flint asked for clarification on the key ratios presented in the report. Mr. Foreman provided an explanation and clarification.

**13. CAPITALIZATION POLICY REVIEW**

Mr. Kennedy stated Ms. Rubio had provided the draft policy to the auditors for their review and input. Mr. Foreman said he had not yet reviewed the policy but would do so prior to the December committee meeting.

**14. REVIEW THE FOLLOWING:**

- A.** Income Statement
- B.** Balance Sheet
- C.** Cash Flow
- D.** Treasurer’s Report

Ms. Largent said this was the first opportunity she has had to see the packet of information supplied to the committee each month and how it would be changing. She confirmed there was no income statement this month. She stated she would be working on the transparency of information provided in the trial balances as well supplying recurring updates on the reserve balances.

Mr. Ross asked when the reporting information will be updated with software transition. Mr. Kennedy explained the steps anticipated and how it would take approximately one year to complete. Ms. Largent said she will start working on the fund balances immediately.

Mr. Flint inquired as to what could be done in the upcoming year to fix the disconnect between the income statement and reconciling with the audit. Ms. Largent explained some of things she will be working on to get the statements rectified.

Discussion went to Item #8.

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

It was noted the water rate review, Capitalization Policy Review, and preparation for finalizing the audit need to be on the next committee agenda. Mr. Kennedy proposed the Board hold a joint meeting with the committee on January 8, 2018 to discuss the water rates.

**16. ADJOURNMENT**

***Motion:***

***To adjourn.***

***Action: Adjourn, Moved by Member Moss, Seconded by Member Gasca.***

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

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

The meeting adjourned at 2:53 p.m.

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**Randy Ross, Committee Vice Chairperson**

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**Dawn M. Washburn, Board Secretary**