

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
FEBRUARY 13, 2017**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on February 13, 2018 by Chairperson Stitle in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:03 p.m. Chairperson Stitle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Stitle, Member Ross, Member Moss, Member Gasca, Alternate Nelson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Alternate Martinez, Associate Engineer Powers.

Absent: Member Hensley.

No members of the public were present.

4. **SEATING OF ALTERNATES**

Mr. Stitle 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.

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

There were no comments.

COMMITTEE ACTION ITEMS

7. **COMMITTEE MEMBER COMMENTS**

Mr. Ross announced he would not be attending the March committee meeting.

*8. **APPROVAL OF MINUTES**

A. December 12, 2017

Motion:

To approve the minutes.

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

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

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

B. January 9, 2018

Motion:

To approve the minutes.

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

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

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

9. WATER AVAILABILITY PROPERTY REVENUE ANALYSIS

Mr. Kennedy explained the processes and options available for conducting a water availability property revenue analysis. Discussion ensued.

10. AUDIT UPDATE

Mrs. Martinez referenced the draft audit, including a letter from the auditor addressed to the Board of Directors and management, provided in the handout packet. She explained how Beck Reservoir, construction in progress, and abandonment of assets were topics of discussion between staff and the auditors. Discussion followed.

Mrs. Martinez stated staff was going to attempt creating an accounting manual to capture all the policies, practices, and procedures for monthly and quarterly close as well as year end from which checklists will be formed.

Mrs. Martinez pointed out a Treasurer's Report will now be included in both the Budget and Finance Committee agenda as well as in the Board meeting agenda packets.

Mrs. Martinez continued to review the audit report providing background on highlighted areas.

Mr. Gasca asked about the policy for reconciling accounts. Mrs. Martinez explained there was no formal policy, but RMWD's practice is to have the reconciliation completed four weeks after the close of month which is the general standard industry-wide. Mr. Nelson ask what the District's policy for closing a month. Mr. Kennedy stated depending on outstanding invoices, it could be 60 days. Discussion followed regarding closing the books at the end of each fiscal year.

Discussion ensued regarding consulting work, payroll master file auditing, completion of leave request forms, year-end closing, and any developer deposits.

Mr. Kennedy pointed out this audit was very thorough, including monitoring the management activities. He stated he did not believe there was anything found to be too bad; however, staff will be making some necessary adjustments going forward. Discussion followed.

Mr. Ross inquired about the asset valuation. Mr. Kennedy explained this was one of the topics of an ongoing discussion between two different consultants; however, he has requested that this matter be continued for now and then picked up again in Spring 2018 when this audit is completed.

Mrs. Martinez drew attention to the operations portion of the audit as she reviewed each of the items that led to the changes reflected to the change in acre feet sales. Discussion ensued regarding abandonment of certain facilities as well as existing infrastructure and project planning capitalization.

Mr. Stitle asked about the pension adjustments referenced on Page 14. Mrs. Martinez explained this was the difference between deferred outflows and inflows related to CalPERS' investments in addition to RMWD's actual payment amounts. She noted every three years a liability report is updated and how in 2018 the overhead amount will drop off significantly.

Mr. Kennedy noted the auditor will attend a Board meeting to review the report with the Directors before which time he would like to have any committee member comments or questions brought to him or Mrs. Martinez to address.

11. ABM PROJECT AND REMOTE READING WATER METER SYSTEM UPDATE

Mr. Kennedy announced ABM was ready to move forward; however, there were some challenges with programming between ITRON and SDG&E. He stated the goal was to make this as broadly compatible with every meter type; however, it was found the readings were being truncated which resulted in staff working with the vendors to find some type of resolve. He stated based on these results, the project was currently in a holding pattern. Discussion followed.

12. CHANGE IN ACCOUNTING SYSTEM UPDATE

Mr. Kennedy talked about the steps taken regarding updating the system. He mentioned several vendors were interviewed and how Infor was found to have an accelerated implementation process. He mentioned RMWD will be hiring an internal person to handle the day-to-day operations as well as with applications.

Mr. Kennedy mentioned he anticipated having a contract and costs associated with this program brought to the Board at their March meeting for consideration. He concluded with noting if the transition was completed within one year, it would be amazingly awesome; however, it may take until the end of Fiscal Year 2018.

13. REVIEW THE FOLLOWING:

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

Mrs. Martinez noted a mid-year itemized income statement either at the February or March Board meeting with adjustments to both revenues and expenditures.

Mrs. Martinez referenced the monthly Treasurer's Report set up for the investment policy was provided as a handout.

Discussion ensued regarding development progress.

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

It was noted the fixed revenue interim analysis, ABM/ABI project, accounting system, and auditor presentation will be on the next committee agenda.

15. ADJOURNMENT

The meeting was adjourned with a motion made by Alternate Nelson and seconded by Member Ross.

The meeting adjourned at 2:52 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary