

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
NOVEMBER 16, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on November 16, 2021, by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:02 p.m. *(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 (via video conference), Member Nelson, Alternate Williams (via video conference).

**Also Present:** Executive Assistant Washburn, Operations Manager Gutierrez, Information Technology Manager Khattab, Finance Manager Largent, Senior Accountant Rubio.

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

General Manager Kennedy, Human Resources Manager Harp, Construction and Maintenance Supervisor Lagunas, Grant Specialist Sisler.

One member of the public was present in person and one member was present via teleconference or video conference.

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

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

5. **SEATING OF ALTERNATES**

Mr. Williams was seated as an alternate.

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

There were no amendments to the agenda.

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

There were no comments.

**\*8. APPROVAL OF MINUTES**

**A.** October 12, 2021

***Motion:***

***To accept the minutes as written.***

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

***Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).***

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

**9. GENERAL MANAGER COMMENTS**

There were no comments.

**Discussion returned from Item #21.**

Mr. Kennedy announced there would be a Town Hall meeting at the FPUD headquarters on November 17<sup>th</sup> at 6:00 p.m. noting anyone interested was welcome to attend. He also reported the final report from SDCWA's consultant was expected to be provided very soon.

**Discussion went to Item #22.**

**10. FINANCE MANAGER COMMENTS**

Ms. Largent introduced Lacy Sisler as RMWD's new Grant Specialist.

Ms. Largent also stated RMWD will be passing through the SDCWA pass-through rates effective January 1, 2022.

**11. COMMITTEE MEMBER COMMENTS**

There were no comments.

**\*12. AUDIT REPORT AND FINANCIAL STATEMENTS ACCEPTANCE**

Ms. Largent explained copies of the full packet has been provided and how each committee member will receive a bound copy once it is approved by the Board. She pointed out the new name will be the Annual Comprehensive Finance Report (ACFR). She shared some of highlights including a gain of \$1.1 million compared to a loss of \$7.8 million last year as well as the addition of approximately \$10 million in net additions and capital assets which reflects the Capital Improvement Program.

Ms. Largent pointed out there were no major audit findings for FY2021 and that RMWD received an unqualified opinion for the representation of the financial statements indicating RMWD's financial records have been maintained in accordance with the standards known as generally accepted accounting principles.

Ms. Largent referenced the auditor letters included in the agenda packet that will be shared with the Board in the spirit of full transparency. She pointed out there are two items to review posting to net equities which has been added to the checklist as well as update the Purchasing Manual

to include conflict of interest and equitable practices in purchasing to ensure it is communicated to anyone utilizing the purchasing policy.

Mr. Hensley stated this was a very nice, summarized management report. He asked for a simple reason why RMWD received a much better on finances than previously. Ms. Largent explained this was mainly due to increased sales over a very dry climate year as well as remaining fragile on operating expenses.

Mr. Nelson inquired as to whether the statement of net position was different due to RMWD being a governmental entity, but the same as a Balance Sheet. Ms. Largent confirmed this was correct. Mr. Nelson asked what non-current asset means. Ms. Largent explained this means it cannot be turned into cash within a year.

Mr. Nelson asked questions related to some of the information contained in the report to clarify his understanding as well as recommended the report be a little less complex. Ms. Largent offered to meet with Mr. Nelson following the meeting so she could provide a better understanding of the information. Discussion followed.

Mr. Hensley inquired as to whether all the categories showing are in RMWD's books or added to by the auditors. Ms. Largent confirmed these are in the RMWD's financials; however, the auditors take some of the categories and group them together.

Mr. Nelson asked what makes up the \$1.866 million "other non-operating revenue". Ms. Largent explained a majority was lawsuit funds for \$1.3M, some of it is the gains, things sold such as trucks, recycling revenue, and other one-off items.

***Motion:***

***To recommend the Board approve the audit report and financial statements.***

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

***Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).***

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

**13. METROPOLITAN WATER DISTRICT (MWD) LAWSUIT PAYMENT DISTRIBUTION**

Ms. Largent reported RMWD received a check in the amount of \$908,190.96 as a result of ongoing litigation between MWD and SDCWA. She explained it would be nearly impossible to credit back customers; therefore, staff will seek Board direction as to how the funds should be utilized for the benefit of all ratepayers.

Ms. Johnson stated it may be good to have an item on the next committee agenda to brainstorm ideas of putting this money to use for the benefit of the ratepayers. Mr. Nelson pointed out with the mid-year budget review process approaching, it may be beneficial to address this matter during this time. Ms. Johnson inquired as to when that discussion will take place. Ms. Largent stated it would be partially discussed today as well as in January 2022. Ms. Johnson agreed with making this a part of both the December 2021 and January 2022 committee meeting agendas.

**\*14. CUSTOMER VARIANCE REQUEST – JENSEN**

Ms. Largent explained this customer requested the downsizing of a 1” meter to a 3/4”. She noted the customer was currently over the 50 unit per month average; therefore, staff was recommending this request be denied at this time and suggest to the customer that they reapply in the future once they have their usage below the 50 units per month.

Mr. Hensley and Ms. Johnson agreed with staff’s recommendation. Mr. Nelson reviewed the customer’s usage history as well as the timeframe from when the customer’s meter was exchanged noting that it appeared the usage data was not moving the right direction which was all the more reason for denying the request.

***Motion:***

***To adopt the staff’s position and recommend to the Board that this variance request be denied.***

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

***Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).***

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

**\*15. CUSTOMER VARIANCE REQUEST – MCENEANEY**

Ms. Largent explained this was another variance to move from a 1.5” meter to a 3/4” meter. She noted this was an almost 12-acre parcel with no usage; therefore, staff was recommending approval for the variance.

Ms. Johnson inquired as the reason for the variance when there is no water use. Ms. Largent explained there are some customers who purchased parcels that came with a meter for which they paid capacity fees and how they want to keep the meters as an asset but want to move to the lowest possible fixed fee per month.

***Motion:***

***That the committee recommends the Board approve this variance request.***

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

***Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).***

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

**16. CASH RESERVE POLICY 5.02.220 COMPLIANCE REPORT**

Ms. Largent recalled this report was mentioned last month at which time she had indicated this would be the next step in the process once the audit is complete. She explained this was a policy where staff goes through and sets all the operating funds balances to the level required within the Cash Reserve Policy. She stated after looking into best practices for reserves and how GOFA recommends one more month be included; therefore, she will be bringing back some changes later in the year. She noted the District’s reserves were overall very good.

Mr. Nelson inquired as to whether there was an increase in the number of reserve funds. Ms. Largent stated there was not; however, she included more verbiage this year.

Ms. Largent displayed several reports as she walked the committee members through the fund balance projections reviewing each of the highlights and updates. Discussions ensued.

#### **17. DISCUSSION REGARDING CURRENT COMMITTEE VACANCY**

Ms. Washburn explained this item was added in light of the recent resignation of Carl Rindfleisch.

Mr. Stewart mentioned if he is appointed by the Board to fill the Division 4 vacancy, he would be happy to resign from the Communications and Customer Service Committee and serve on this committee.

#### **18. WATER SERVICE UPGRADE PROJECT (WSUP) PROGRAM UPDATE**

Mr. Gutierrez announced the project was 80% complete and how it was moving along with projected completion expected in January 2022. He mentioned additional inventory was in the process of being taken as well as determining how much more traffic control will be necessary. He noted some of the benefits the District was starting to see related to this program.

Mr. Hensley inquired as to whether the cost to date was also at approximately 80% with the project or was it above or below the initial projected costs. Ms. Largent stated the costs were slightly above the initial projections due to having to pre-order parts. Mr. Gutierrez pointed out all remaining inventory will be absorbed into RMWD's warehouse inventory for use in the field.

#### **19. REDISTRICTING UPDATE**

Mr. Khattab shared a presentation titled "Redistricting with Census Data" that was given at the October 26<sup>th</sup> Board meeting. He noted RMWD was required by law to recalculate the population in each of its five divisions and redistrict every ten years. He explained the steps taken throughout the process as well as how staff had written a script for calculating the population in all the District's voting precincts.

Mr. Hensley inquired as to whether there were any major switches from what was in place compared to that being found now. Mr. Khattab explained the biggest addition to the District's population was in Division 4 due to the newest development; therefore, some of the voter precincts that were in Division 4 had to be reduced.

#### ***Member Johnson excused herself from the meeting at 2:00 p.m.***

Mr. Nelson asked if staff was able to go and count the number of human beings in a precinct rather than rely solely on the data provided. Mr. Kennedy stated the process of enumeration is one that is held by the Federal Government; therefore, staff has not gone out to validate how many individuals reside in each precinct. He pointed out the level of detail staff has gotten into during this process is much greater than the level of detail he has worked with in the past and is most likely as accurate as it will get as well as at a much more granular level than most other agencies.

Mr. Hensley stated since RMWD had a few cases where there were some substantial changes, he would like to know what impact, if any, this would have on RMWD's operations. Mr. Kennedy said none of this really has any impact on operations but is more about who would be eligible to run for a seat in which division as well as who gets to vote in that division.

**20. REVIEW OF THE MONTHLY BOARD FINANCE PACKET**

Ms. Largent pointed out she has already reviewed all the changes for this month under Item #16.

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

It was noted the Metropolitan Water District (MWD) lawsuit payment distribution, mid-year financing, and the WSUP update should be on the next committee agenda.

Discussion returned to Item #9.

**22. ADJOURNMENT**

*The meeting was adjourned by Chairperson Nelson.*

The meeting adjourned at 2:11 p.m.

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**Flint Nelson, Committee Chairperson**

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**Dawn M. Washburn, Board Secretary**