

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JULY 14, 2015**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairperson Stitle on July 14, 2015 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairperson Stitle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Stitle
Member Hensley
Member Clyde
Alternate Thomas

Absent: Member Ross
Member Carlstrom
Alternate Lucy

Also Present: General Manager Kennedy
Executive Assistant Washburn
Acting District Engineer Kirkpatrick
Director Brazier

Two members of the public were present.

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

Michael Rodriguez introduced himself and briefed the committee on his background.

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

There were no comments.

Discussion returned to Item #4.

*6. **APPROVAL OF MINUTES**

A. June 9, 2015

Action:

Moved by Member Clyde to approve the minutes. Seconded by Member Stitle.

After consideration, the motion CARRIED by the following vote:

AYES: Member Stitle, Member Clyde, and Alternate Thomas
NOES: None
ABSTAINED: Member Hensley
ABSENT: Member Ross, Member Carlstrom, and Alternate Lucy

7. UPDATES

A. Raftelis

Mr. Kennedy mentioned RMWD was underway with some of their evaluations and the rate models; however, they were waiting on some information from the Master Plan related to the CIP. He noted RMWD provided Raftelis with some data pertaining to water consumptions in order to try to evaluate the different customer classes currently in place at the District.

B. Strategic Plan

Ms. Washburn announced Michele Tamayo will be attending the August 11, 2015 committee meeting. She stated once the committee's regular business items are complete, Ms. Tamayo will work with the committee on the strategic planning process.

Mr. Kennedy mentioned Ms. Tamayo has met with each of the board members individually and would be meeting with all RMWD employees on July 22, 2015. He pointed out Ms. Tamayo wants to bring each committees' vision into the process as well. He said after a public workshop is conducted, Ms. Tamayo will put together some ideas for the Board to consider as far as main focus areas.

Mr. Kennedy explained the LAFCO situation would not be brought into the strategic planning a whole lot. He noted the anticipated timeframe for completion of the strategic plan is October.

Discussion ensued regarding water projects throughout San Diego County.

C. LAFCO

Mr. Kennedy confirmed the next LAFCO public hearing regarding the matter of FPUD application to dissolve RMWD is scheduled for September 14, 2015.

Mr. Stitle inquired about Philip Forbes who made a presentation at the July 6, 2015 LAFCO public hearing and whether anyone pointed out Mr. Forbes' used to work at Rancho California Water District. Mr. Kennedy pointed out Mr. Forbes did not disclose this information at the LAFCO hearing and how it was made very clear to Mr. Forbes that it was inappropriate after the hearing. He also noted he sent copies of his contract with FPUD to both the Union Tribune and Village News.

Mr. Kennedy noted Mr. Forbes was involved with some of the pro forma budgets provided in the draft staff support which consequently was never approved by either the FPUD or RMWD respective Board of Directors but was made a part of FPUD's initial application submitted to LAFCO.

Mr. Kennedy stated at the request of the hearing, Supervisor Jacob requested that the financial analysis be revisited. He noted how after two weeks of his employment with RMWD, he met with Mr. Ott and that he was told by Mr. Ott that Mr. Kennedy was not permitted to challenge the numbers in any discussions. He said due to Supervisor Jacob's request, Mr. Ott was now requesting information from both RMWD and FPUD. He noted how the pro forma budgets provided initially had no back up information in several areas.

Discussion ensued regarding the invalid comparisons to efficiencies that will impact service.

Mr. Stitle asked if the issue of the FPUD's Capital Improvement Program was brought up on the request for information. Mr. Kennedy noted LAFCO asked for restated Capital Improvement Program numbers.

Discussion ensued regarding recent comparisons of water sales versus debt and how it showed FPUD has 3.5 more times debt per acre foot of water sold than RMWD. It was noted the question here would be how would combining agencies be good for RMWD's ratepayers.

Mr. Stitle inquired if the costs associated sewage treatment plant and Red Mountain Reservoir were brought up. Mr. Kennedy stated this information would need to be provided by FPUD and once published by LAFCO, RMWD will take a look at that information. He added RMWD's CIP plan that only goes out to 2018 until the Master Plan is completed; however, this CIP information was provided to LAFCO.

Mr. Kennedy pointed out RMWD's goal as always has been to remain transparent as the ratepayers expect; therefore, LAFCO will be provided with all the information available including financial statements, budgets, etc.

D. CIP

Mrs. Kirkpatrick referred to the handout containing a list of the CIP projects. She noted the major projects for this fiscal year included the Highway 76 realignment and the Gird to Monserate waterline. She noted the two major projects that rely on the Master Plan are the Beck UV and the sewer outfall.

Mrs. Kirkpatrick provided copies of the developer projections. She pointed out in Fiscal Year 2015, RMWD sold 18 meters total. She noted Caltrans paid for eleven 2" meters for Highway 76 today. She pointed out the areas in gray are the ones she knows for sure are going in due to the fact construction has started, but the others are just projections at this time. It was noted the information provided were actually off by one year in the handouts.

E. Springbrook

Ms. Thomas reported the payroll has been finalized with parallels matching. She noted the general ledger (finance part) requires switching all the general ledgers to Springbrook's format which was currently in progress. She stated the anticipated date for going live in these two areas was August 8, 2015. She explained Springbrook would be returning to RMWD in September to start the utility billing phase which will also require 20 hours of remote work in October. She mentioned how RMWD's representative working directly with staff has been hands on and instrumental in the process.

Mr. Clyde asked what impact this change will have on RMWD's customers, if any. Ms. Thomas answered the bills may have a different look; however, that would be a positive. She noted another impact may result if there is a glitch in the uploading and downloading processes. Mr. Kennedy added the main thing was that RMWD plans to have some improved capabilities for bill paying, viewing water use, etc. He explained the first step was to get the general ledgers, payroll, and utility billing portions squared away before starting work on the other capabilities.

8. BOARD MEETING REVIEW

Mr. Kennedy reported the Board adopted the updated Drought Ordinance. He talked about some of the updates made to the Drought Ordinance. He noted the Board also adopted four policies related the TSAWR water program.

Mr. Kennedy noted Director Sanford asked staff look at budget billing. Discussion ensued regarding why this may be very difficult to implement as well as negatively impact RMWD.

Discussion ensued regarding the July 6, 2015 LAFCO public hearing regarding FPUD's application to dissolve RMWD. Mr. Kennedy noted neither he nor Mr. Brady made a presentation at this meeting; however, both he and Mr. Brady did speak briefly to clarify they were fine with the public hearing continuance.

Mr. Stitle stated he did not see how the idea of budget billing could work mathematically as far as cash flow was concerned. Mr. Kennedy explained the risk would need to be evaluated as well as the program insulated to be revenue neutral on its own. Discussion ensued.

Mr. Kennedy reported the Board adopted the budget as well as approved supporting Jo MacKenzie's nomination.

9. MONTHLY WATER SALES REPORT

Ms. Thomas stated she was hopeful Springbrook will have some type of program to simplify reporting this information. She noted RMWD was in good shape selling less water, but having more revenue.

10. MONTHLY FINANCIAL REPORT

Ms. Thomas pointed out RMWD would be fine as far as budget if this LAFCO matter was not increasing the expenses for legal services and such. She noted the variation in operating expenses has to do with tank cleaning being paid quarterly as opposed to monthly. She concluded by noting even though legal services costs have increased, RMWD was currently below the budget overall.

Mr. Clyde inquired if all legal fees were associated with the LAFCO matter. Mr. Kennedy explained legal services were not solely related to LAFCO, but also human resource matters and claims, etc. He noted more money was being spent on the LAFCO matter than desired; however, it was necessary due to the complications involved with this particular situation.

11. REVIEW OF GROUNDWATER ISSUE

Mr. Kennedy stated RMWD was expecting to receive at least the draft final report at the end of July. He said once staff receives this information, the next steps will be to look at what the pricing. He explained the general consensus from an engineering level was that it may be best to try to part from Oceanside over time which would be the most cost effective way to proceed. He noted once RMWD receives the report, it will be brought back to the committees.

Mr. Stitle inquired as to how accurate groundwater studies have been in the past. Mr. Kennedy pointed out they are all models; however, it really depends on how many wells need to be built. Discussion ensued.

12. DISCUSSION AND POSSIBLE ACTION TO ASSIGN MEMBERS TO SERVE ON THE RMWD BUDGET AND FINANCE COMMITTEE

Mr. Rodriguez stated it was his intention to attend a few committee meetings prior to seeking permanent assignment to serve as a member.

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

Mr. Kennedy noted the strategic planning workshop would take the most time at the committee's August meeting; therefore, it would be best not to add too much to that agenda.

14. ADJOURNMENT

Action:

Moved by Member Clyde to adjourn the meeting. Seconded by Member Hensley.

After consideration, the motion CARRIED by the following vote:

- AYES:** Member Stitle, Member Clyde, and Alternate Thomas
- NOES:** None
- ABSTAINED:** Member Hensley
- ABSENT:** Member Ross, Member Carlstrom, and Alternate Lucy

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary