

**RAINBOW MUNICIPAL WATER DISTRICT
BUDGET AND FINANCE COMMITTEE MEETING
Minutes – April 3, 2008**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Chairman Larry Pearce on April 3, 2008 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. Chairman Pearce presiding.

2. **PLEDGE OF ALLEGIANCE:** Pledge of Allegiance led by Larry Pearce.

3. **ROLL CALL:**

Members Present: Larry Pearce, Steve Brannon, Don Fagan, Jack Griffiths, Dick Titus, Jerry Walson, and Bob Willyard. Quorum is present.

Also present: Staff: Dave Seymour, Chuck Sneed, Gene Buckley, Brian Lee, Dawn Washburn and Midge Thomas. Public: Helene Brazier, Maureen Rhyne and David Hill.

Absent: None

4. **APPROVE MINUTES:**

It was moved and seconded the Minutes of the Budget & Finance Committee for 02/07/08 are approved as corrected (minor typo). Motion carried 6/0/1 (Walson abstained).

It was moved and seconded the Minutes of the Budget & Finance Committee for 03/06/08 are approved as corrected (minor typo). Motion carried 6/0/1 (Walson abstained).

5. **PUBLIC COMMENTS ON THE AGENDA:** None.

6. **CASH FLOW DISCUSSION:**

Chairman Larry Pearce reviewed the current Cash Flow summary report through the 8th month of the fiscal year, with 5 months of actuals for October, November, December 2007, January and February 2008, and the 2007-08 budget numbers displayed in the right-hand column. Two additional lines were added for total Net Income and Net Expenses as Suggested at the last meeting. Projected income appears to be approximately \$2 million higher than budgeted after 8 months. Actuals for water sales and purchases in January and February includes the Ag water reduction because both sales and purchases were substantially less than projected budget levels. Discussion took place regarding the difficulty and ability to separate Ag water reductions actually achieved to be tracked and compared to the Metropolitan Water Ag water reduction allocations. This should be a separate report and not part of the Cash Flow summary report.

It was also discussed that the projected Ag water reduction in purchases (cost of water) do not agree with the Ag water revenue reductions. It was noted that water is sold (revenue) at a higher price than the cost to buy it. Other costs are also included in the sales price.

The second from the bottom line bottom of the Cash Flow report shows that the decline in water revenue has made an impact on the “bottom line” in which January and February showed a negative operating balance. The short-fall is covered by transfers from District short-term investment funds on an “as needed” basis. Continued negative operating balances could require an examination of expenses or increase in water rates to increase revenues.

Page 2 of the Cash Flow summary reflects current CIP actuals in which the large number of zeros indicate CIP projects are not being done, or billings not yet submitted to Finance, reflecting a movement to the right in starting project activities in many cases. The remaining projected (expected) numbers for Engineering and CIP projects need to be updated monthly as conditions, expectations and budgets change.

Further discussion took place regarding the need for a method of communication between the departments and Finance as to changes and updated financial data on a current basis for approved projects.

7. DISCUSSION OF RESERVE ACCOUNTS MANAGEMENT AND RECOMMENDATIONS WITH CIP FOR THE BUDGET PROCESS:

The set of charts prepared by Dick Titus presents a picture of the general health of the District, but is not a complete picture. It shows the Reserves which are being spent outside net income. The complete picture has to incorporate the Reserves and the Cash Flow. There are two different packages: One is Cash Flow, the other is a summary of actuals, expenditures, and Reserves.

It is necessary to develop plans and schedules that until recently have not been done. Engineering is currently attempting to put together this type of information for individual projects. Cost data needs to be incorporated into projections that are shown on the Cash Flow and the summary sheets as presented by Dick Titus. The Committee is trying to develop a frame-work that shows understandable data and its significance in a way that allows the board to make informed decisions. The committee is interested in helping to develop that information for effective planning. Once you have a plan, with the appropriate budget, financial and scheduling information, you can then ask, “How are we doing?” with respect to that plan. This needs to be tracked on a monthly basis and reported on a monthly basis. That is the purpose of the charts being presented.

The General Manager announced this package was submitted to the Department of Health as an exhibit to the District’s response to help show that we have the money to do the projects that we are telling the Health Department we are planning to do.

A discussion took place regarding the impact of stops and starts of CIP project plans and continuing costs resulting from stops, or delays, including delays in the approval process. It is important to execute the projects according to plan and carry out the project as planned. The consequences of non-action, schedule slip or other delays result in a huge impact on project costs.

Motion: It was moved (Titus) and seconded (Willyard) the Budget and Finance Committee recommends the Board of Directors adopt and implement the package report of the Budget and Reserve Accounts on a year-to-year basis, with the CIP Programs and projected expenditures as well as the total Reserve Budget and expenses, reported on a monthly basis, as previously presented to the Board by Richard Titus on March 25, 2008.

Motion carried 6/0/1 (Griffiths abstained)

Discussion took place regarding the impact on the Finance Department's ability to implement the motion without undue cost and effort, and the education process needed for the members of the board. The Finance Manager indicated the motion is do-able and will provide better visibility for the board. The best way to keep the board informed is by using the report(s) and getting used to the format over a period of months.

8. CONSOLIDATION AND INTEGRATION RESERVE MANAGEMENT INTO THE BUDGET PROCESS:

This item was discussed under items 6 and 7 above. No further discussion needed following the approved motion above.

9. HIGH PRIORITY CIP PROJECTS COSTS AND SCHEDULES:

Chief Engineer Brian Lee presented a sample of an Engineering Profile sheet representing the Morro Reservoir Rehab project as an example of other Engineering Profiles to be presented to the board at the appropriate time.

The Engineering Profile shows the name and brief description of the CIP project, a map of the location of the project and estimated budget costs. The project budget estimates include costs for the current fiscal year, design, construction, total costs for the project and a bar chart indicating each funding phase of the project, including approval points, to the completion of the project. The cost does not include the cost of the cover because the Board of Directors has not determined which method is approved between installing a cover or UV system.

The Committee requested the Job No. be identified on the profile sheet, with date of the report and actuals to date. The Committee chairman commended the Chief Engineer for his responsiveness and compliance with the comments and suggestions from both the Engineering and Budget & Finance Committees over the last three months in preparing documentation that produces greatly improved information and visibility of the numerous CIP projects to be completed in the near future.

10. 2008-09 BUDGET REVIEW:

Finance Manager Gene Buckley delivered notebook binders with the proposed 2008-09 preliminary budget, and provided a summary of key points regarding budget objectives and assumptions for the budget process in a separate packet, including a proposed water rate increase and other information pertinent to the budget process. Committee members were instructed to take the budget notebooks home for review and be prepared to discuss details at the next Budget & Finance meeting.

Motion **It was moved (Fagan) and seconded (Willyard) to hold a special meeting of the Budget & Finance Committee on Thursday, April 17, 2008 at 1:00 p.m. to review and discuss the proposed budget for 2008-09.**

Motion carried 6/0/1 (Walson abstained)

11. AGENDA ITEMS FOR THE SPECIAL MEETING (04/17/08)

Review 2008-09 preliminary proposed Budget

AGENDA ITEMS FOR NEXT REGULAR MEETING (05/08/08)

Cash flow update with March actuals.

Discuss board response to Committee motion recommending adoption and implementation of the Budget and Reserve Accounts and CIP projects

Review 2008-09 preliminary proposed Budget

Solar power cost benefit analysis for the main campus

12. RESIGNATION OF COMMITTEE MEMBER:

Chairman Larry Pearce read a letter from Committee member Richard Titus announcing his resignation from the Budget & Finance Committee effective April 15, 2008 due to relocation to South Carolina before the end of the month. The Committee expressed its best wishes to Dick and his family, and congratulated him on his outstanding and valuable contribution to the Budget & Finance Committee and the Rainbow Municipal Water District.

13. ADJOURNMENT:

Motion to adjourn to Thursday, April 17, 2008 at 1:00 p.m. Motion carried. Adjourned at 4:15 p.m. Thanks to all of you for your interest and time.

Larry Pearce, Committee Chairperson

Dawn M. Washburn, Board Secretary