

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
AUGUST 13, 2019**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on August 13, 2019 by Chairperson Stitle in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:05 p.m. Chairperson Stitle presiding.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL:

Present: Member Stitle, Member Hensley, Member Gasca, Alternate Nelson.

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

Absent: Member Ross, Member Moss, Customer Service Supervisor Rubio.

Two members of the public were present.

4. SEATING OF ALTERNATES

Mr. Nelson was seated as an alternate.

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

Ms. Largent recommended deleting Item #14 from the agenda due to incomplete year-end journal entries to avoid any confusion.

Mr. Kennedy requested an item to be added to the agenda as Item #15A to address the upcoming SDCWA emergency shutdown.

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

There were no comments.

7. COMMITTEE MEMBER COMMENTS

Mr. Gasca introduced Todd Broderick as a customer interested in attending the committee meeting. Mr. Kennedy mentioned the makeup of the committee members.

***8. APPROVAL OF MINUTES**

A. July 9, 2019

Motion:

To approve the minutes as written.

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

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

Ayes: Member Stitle, Member Hensley, Member Gasca, Alternate Nelson.

9. SURPLUS PROPERTY REPORT

Mr. Kennedy referenced the surplus property list provided by Mr. Strapac as a handout as he described some of the properties listed. He mentioned the District was currently looking at the Bonsall Reservoir. Ms. Brazier mentioned she has received notification from the County stating the property owner utilizing the Bonsall Reservoir was seeking approvals on certain items so he can put his property up for sale.

Mr. Nelson referenced a Clark Lab Resources handout provided quite some time ago on which one appears to be the Morro Tank on the surplus property report. Mr. Kennedy explained the Morro Tank was not currently in use; therefore, staff was looking to find out the property value. Mr. Nelson asked if both properties were not in use. Mr. Kennedy clarified RMWD does have facilities on one of the parcels. Discussion ensued regarding the demolition of the tank and possible uses for the land. Mr. Kennedy pointed out RMWD would not want to consider selling the property until all opportunities with the City of Oceanside are exhausted.

10. OUTSTANDING CONSTRUCTION UNITS REPORT

Mr. Kennedy referenced the report provided by Mr. Strapac as he talked about the current progress on some of the properties listed. It was noted the Warner Ranch information was incorrect as well as the columns may not be aligned appropriately with properties which Mr. Kennedy agreed to get corrected. He explained there was some potential revenue coming from these developments in the future should development progress continue.

It was noted this will be a standard report for this committee's agenda.

11. FINANCIAL SOFTWARE DEMONSTRATION

Ms. Largent presented an overview of the newly acquired financial software. It was recommended sharing information regarding the new software in the District newsletter.

Mr. Nelson expressed concern with cyber security on the new system as he provided suggestions as to how to protect the District's financial data. Discussion ensued.

Mr. Gasca inquired as to the repercussions RMWD received related to bills being generated later than usual due to the transition. Ms. Largent replied call volume has increased and staff has worked diligently on outwardly communicating the situation in the phone system, on the website, and in the newsletter. She noted relaying information to the customers on the Board's decision to waive the July and August late fees has been beneficial.

12. AUDIT UPDATE

Ms. Largent reported there was no change with the audit scheduled for October 7-10, 2019.

Mr. Stitle inquired as to whether the District would be looking into utilizing another auditor. Mr. Kennedy stated this may be something for the Board to consider.

13. RATE MODEL UPDATE

Ms. Largent mentioned there was a large data request from IB Consulting which has mostly been provided so they can start working on the new rate model. She noted the representative will give a presentation at either the September or October committee meeting. She added IB Consulting will need the audited financial or year-end preliminary financials to complete the study. Mr. Kennedy suggested IB Consulting attend the September committee meeting.

Mr. Nelson talked about the discussions held at the Engineering and Operations Committee meeting related to meter sizes and how downsized meters are utilizing more water than they should. He mentioned there may be more outliers utilizing smaller meters than they should be and suggested the District should look into this more carefully as a means of eliminating those outliers. Mr. Kennedy explained as part of the meter replacement program, staff has identified the range of 1 ½" meters not using much water that will be downsized to determine if consumption increases. He stated the Administrative Code does not provide for provide a great deal of leverage; however, an administrative process may be helpful. He added figuring out how to do the exact same thing in the water rate would provide the District with the ability to not impact individual customers, but rather apply the rates broadly.

Discussion ensued regarding devising an effective rate model system.

14. REVIEW THE FOLLOWING:

- A. Statement of Revenue and Expenses
- B. Balance Sheet
- C. Treasurer's Report

This item was deleted from the agenda per Item #5.

15. MEMORANDUM OF UNDERSTANDING WITH EASTERN MUNICIPAL WATER DISTRICT UPDATE

Mr. Kennedy reported he, Director Gasca, and Director Hamilton attended a meeting with Eastern Municipal Water District (EMWD) where the EMWD approved the Memorandum of Understanding (MOU) between Fallbrook Public Utility District (FPUD), RMWD, and EMWD. He explained the MOU essentially was not necessary to move forward; however, RMWD and FPUD wanted to have the applicable charges, annexation fees, indemnity clause, etc. in writing. He noted the MOU does indicate there are no annexation fees, their charge is \$11.00 over the Metropolitan Water District (MWD) wholesale fee which may change over time, and EMWD cannot charge RMWD more than it costs for bills to be processed since RMWD does not utilize EMWD infrastructure. He mentioned SDCWA was claiming there was a CEQA problem with this MOU which is not the case; however, the MOU was added to include all parties will follow CEQA at such point it is required.

Mr. Kennedy described the next steps in the process is to file for a Sphere of Influence change at Riverside County LAFCO extending EMWD's borders to encompass FPUD and RMWD, as well as work with SDCWA staff and General Counsel to reach a common understanding in terms of state laws, statutes, and regulation codes. He mentioned SDCWA will be holding a Closed Session to discuss this matter at their next meeting at which time he and Mr. Bebee will not be allowed to participate but will have three minutes to speak on the matter prior to the Closed Session taking place.

He pointed out EMWD, FPUD, and RMWD would apply together to Riverside County LAFCO and how the process is estimated to take approximately four months and how the earliest a resolution of application would be presented to the RMWD Board for consideration would be September 2019. He explained to get this matter on the 2020 Ballot, all the processes need to be completed by June 2020.

Mr. Gasca added meeting all MWD requirements was also taking place through EMWD. Discussion ensued.

Mr. Nelson stated he was in favor of pursuing this change and how he found Mr. Bebee's presentation to the RMWD Board of Directors was impressive, direct, logical, as well as demonstrated a great deal of knowledge and expertise he has regarding the process and how this could be done. Mr. Kennedy explained the three agencies involved believe they have worked out a combined interpretation of the statute and now will work with the fourth agencies to reach a mutually agreeable resolution.

15A. SDCWA EMERGENCY SHUTDOWN

(This item was added per Item #5.)

Mr. Kennedy reported received notification from SDCWA regarding a leak near the new bridge built at Camino del Rey to which RMWD responded to determine the cause. He explained it was found not to be on RMWD's line, but rather on SDCWA's 90" line running at approximately 320psi. He noted SDCWA has significant and warranted concerns the line may blow and have, therefore, notified RMWD the line will be shut down immediately so it does not fail catastrophically causing a great deal of property damage. He pointed out other agencies from Lake Skinner to west of I-15 will be impacted. He announced the shutdown is planned for September 9, 2019 lasting for ten days.

Mr. Kennedy stated this shutdown will be a real challenge. He mentioned he is working with the Farm Bureau on outreach, attending a meeting in San Diego to coordinate with MWD and the impacted agencies. He pointed out the most affected agencies will be RMWD and FPUD in that they will need to prohibit all their customers from irrigating for the duration of the shutdown. He noted this shutdown will be costly and how he was asking the Board to consider declaring a water supply emergency at their August 27, 2019 meeting. Discussion followed.

Mr. Nelson expressed concern with the shutdown being conducted during the hottest month of the year when Santa Ana conditions are on the rise. He asked what transpires in the event of a fire. Mr. Kennedy explained water will be moved from both Connections 1 and 10. Mr. Gasca suggested RMWD look at having its open reservoirs accessible for helicopter use should a fire occur. Mr. Kennedy noted RMWD does not have functional open reservoirs. Discussion ensued.

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

It was noted the IBS Consulting, outstanding construction units and surplus property reports will respectively be added to the review item lists, proposed revisions to Administrative Code Policy 8.14, and an emergency shutdown update will be on the next agenda.

Mr. Stile asked for an update on the ABM matter. Mr. Kennedy stated inventory will be conducted after which time a Settlement Agreement will be executed.

Discussion took place regarding Mr. Broderick's feedback on the committee meeting and functions.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Stitle.

The meeting adjourned at 2:33 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary