

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 13, 2015**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order by Member Clyde on October 13, 2015 in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:26 p.m. Member Clyde presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Clyde
Member Hensley
Member Carlstrom
Alternate Moss (*Arrived at 1:27 p.m.*)

Absent: Member Stitle
Member Ross
Alternate Lucy

Also Present: General Manager Kennedy
Executive Assistant Washburn
Finance Manager Thomas

No members of the public were present.

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

There were no public comments.

COMMITTEE ACTION ITEMS

5. **COMMITTEE MEMBER COMMENTS**

There were no comments.

*6. **APPROVAL OF MINUTES**

A. September 8, 2015

Action:

Moved by Member Hensley to approve the minutes. Seconded by Member Carlstrom.

After consideration, the motion CARRIED by the following roll call vote:

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

7. UPDATES

A. Raftelis

Mr. Kennedy noted the public hearing on the rates will be held on October 27, 2015. He talked about how part of the Conservation Order required RMWD have the District's Proposition 218 public hearing notice completed. He explained there will be a rate change that will include pass through costs from SDCWA as well as energy pass through costs. He mentioned how it was being considered whether this should be done for five years or annually, especially due to the mailing costs involved.

Ms. Moss inquired as to whether the rates should be increased incrementally. Mr. Kennedy explained should the Board decide to proceed with the five year proposal, this would allow the District to raise rates incrementally as necessary or not raise the rates at all depending on the situation. He noted there was a small pass through from SDCWA last year due to the fact that after looking at the numbers it was not necessary to pass those charges on to the customers.

Mr. Kennedy apologized for not spending more time on this with the Budget and Finance Committee; however, it was pertinent that this be on the October 27, 2015 Board meeting agenda in order to set the rate setting hearing date for December 15, 2015 and get all of the hearing notices sent out to all those responsible for paying the bills including tenants. He confirmed the proposed five year package would be presented at the public hearing.

Discussion ensued regarding the new developments being responsible for paying the capacity fees.

Mr. Carlstrom asked about the drought charge and whether it would disappear should the drought conditions go away. Mr. Kennedy explained the steps that would be taken by the Board regarding the drought situation including any changes to drought charges. Discussion followed.

Mr. Kennedy noted Raftelis will give a full report at the October 27, 2015 Board meeting, a more detailed report would be provided to this committee in November, and a Special Board meeting will be held on December 15, 2015 regarding the rates. He explained RMWD spent approximately \$60,000 for Raftelis' services on the rate study.

B. LAFCO

Mr. Kennedy noted this would be the last time this would need to be on the agenda. He updated the Committee on some of the things that took place during and after the September 14, 2015 LAFCO hearing. He noted RMWD prevailed and the matter was voted down by the Commissioners. He talked about a lunch that took place for all RMWD employees to celebrate the District's win and how after which a hatchet was buried and everyone was instructed to move forward on other District-related matters.

C. CIP

Mr. Kennedy explained there was a presentation given at the last meeting by the team working on the Master Plan and how there was discussion regarding reclamation. Discussion followed.

Mr. Kennedy talked about Mission Resources Conservation District helping to provide the best information to RMWD customers.

Discussion ensued regarding several aspects and costs associated with some of the CIP projects including water waste, water pressure regulators, sewer treatment, and outfall line replacement.

Mr. Kennedy cautioned there could be a period of time when spending may need to be initiated prior to all the developer capacity fees coming in to RMWD. He noted should this occur, there will be a need to find a solution. Discussion followed.

D. Springbrook

Mrs. Thomas reported payroll and accounts payable were both now on the new software. She talked about the steps to be taken to get accounts receivables completely on the system. It was noted utility billing was going to be tasked next which will be a little more involved due to the detail involved and accuracy required.

Mr. Kennedy talked about the replacement being considered for Ms. Thomas' position in light of her upcoming retirement.

8. GENERAL MANAGER UPDATE/BOARD MEETING REVIEW

Mr. Kennedy reported on the Master Plan and how staff was given direction on the wastewater as well as appropriated \$200,000 from capital reserves for a more detailed Master Plan report. He noted the Board also approved a resolution to assist RMWD to apply for planning grants which total approximately \$75,000.

Mr. Carlstrom inquired about RMWD being mandated by the State to hire people to check for water waste. Mr. Kennedy said RMWD was going to comply with the State's orders. He pointed out SDCWA has an application for reporting water waste that anyone can download to either Android or Iphone cell phones. Discussion followed.

9. MONTHLY WATER SALES REPORT

Ms. Thomas pointed out that on the last page it shows how a year ago at this time RMWD was selling approximately 250 acre feet less, but the area did have a warm summer. She noted this was usage based on billing; therefore, some of the water was from the month prior. She talked about how RMWD was down 25% this year and was at about the same this time last year.

Mr. Kennedy talked about how he has ask for clarification as to how the data needs to be provided to the State in their mandated reporting. He reported RMWD was now in compliance category zero.

Mr. Hensley asked for clarification that the 25% less would be if it were compared with 2013. Ms. Thomas explained how in 2013 RMWD was a little over 21,000 acre feet in sales and just over 19,000 acre feet in sales last year.

10. MONTHLY FINANCIAL REPORT

Ms. Thomas confirmed the District was behind in what was in the budget; however, this year was better than last year in terms of revenue. Discussion ensued regarding the information provided in the report.

Mr. Carlstrom looked at both the prior year and actual year information and noted that depreciation did not impact the bottom line and that RMWD was \$175,000 better than last year. Mr. Kennedy explained the revenue volatility is not as great as the volatility of sales.

Discussion continued.

11. REVIEW OF GROUNDWATER ISSUE

Discussion ensued regarding water reclamation.

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

Mr. Kennedy suggested there be an item on the Raftelis study on the next agenda.

13. ADJOURNMENT

The meeting was adjourned with a motion made by Member Carlstrom and seconded by Director Hensley.

The meeting adjourned 3:01 p.m.

Harry Stitle, Committee Chairperson

Dawn M. Washburn, Board Secretary