

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 10, 2022**

1. CALL TO ORDER: The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on May 10, 2022 by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:01 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 Nelson, Member Hensley, Member Stewart (*arrived at 1:06 p.m.*), Alternate Williams (*via video conference*).

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Senior Accountant Rubio, Information Systems Specialist Espino.

Absent: Member Johnson

Also Present Via Teleconference or Video Conference:

Human Resources Manager Harp, Grant Specialist Kim.

One member of the public was present in person, via teleconference or video teleconference.

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. April 12, 2022

Motion:

To accept the minutes as written.

Action: Approve, Moved by Member Hensley, Seconded by Alternate Williams.

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Hensley, Member Nelson, Alternate Williams.

Absent: Member Johnson

9. GENERAL MANAGER COMMENTS

Mr. Kennedy reported the ACWA/JPIA Board of Directors voted to approve RMWD rejoining the organization for property and liability insurance. He mentioned approximately fifteen years ago, ACWA/JPIA had voted to have RMWD removed due to claims, board instability, and management issues; thus, it was nice to have them to welcome RMWD back. He pointed out although ACWA/JPIA has provided RMWD with a price quote that would save RMWD approximately \$250,000, Ms. Harp is currently working with a contracted insurance broker to receive quotes from other insurance markets. He stated staff will provide the Board with an update as more details develop.

Member Stewart joined the meeting at 1:06 p.m.

Mr. Stewart stated while attending the 2022 ACWA Spring Conference there was a great deal of talk about ACWA/JPIA being extremely pleased to learn how much progress RMWD has made after their team visited and inspected the District. He noted ACWA/JPIA also mentioned their team also found RMWD to be one of the better managed districts they had visited recently.

Mr. Nelson inquired about the broader insurance opportunities the broker attained by RMWD was researching. Ms. Harp explained RMWD has a broker shopping the wider marketplace as an alternative to see if the broader insurance marketplace has competitive rates compared to joining a pool like ACWA/JPIA. She noted one of the features of joining the JPIA is that they bill retrospectively and how they provide RMWD with an estimate of what they think the premium would be for the previous year which would most likely save RMWD \$200,000. She pointed out RMWD has not received quotes for cyber liability and employee dishonesty lines because those are quoted separately. She stated RMWD will not know an exact premium amount because they do bill retrospectively, but they do provide a general idea of what the amount will be. She concluded with noting staff hoped to have multiple options to present to the Board for consideration.

Mr. Kennedy mentioned staff was in the process of wrapping up the details related to the Water Services Upgrade Project (WSUP) program and will report back to the committee. Discussions ensued.

Mr. Kennedy announced there are tickets available for the Bonsall Rotary Wine, Brews, and Blues Festival should anyone be interested in attending.

10. FINANCE MANAGER COMMENTS

Ms. Largent apologized for the light agenda packet due to competing priorities and schedule conflicts. She stated before the next committee meeting, the members will receive a copy of the budget assumption presentation with the packet. She also reported Grant Specialist Kim has found an opportunity through the WaterSmart Drought Resiliency Grant for RMWD to receive approximately \$650,000 which is one-half the budget for the Weese Interconnect Pump Station that is part of the Wholesale Water Efficiency Projects. She clarified Ms. Kim will be applying for the grant, researching leads, and working with the engineering department.

Mr. Williams pointed out how impressive as to how Ms. Kim is able to pull things together from her past experience and picking up very quickly.

Mr. Nelson asked if the grant pool was very competitive with many applicants. Mr. Kennedy stated these grants are generally competitive, but there is a great deal of money available with not many disqualifications.

11. COMMITTEE MEMBER COMMENTS

Mr. Stewart noted the ACWA Conference was interesting and how RMWD was a bit of the center of attention mostly for good. He stated he talked to a number of managers and board members from San Diego who support and understand the detachment efforts. He concluded with pointing out how important it was to have an opportunity to spend more quality time and getting to know Ms. Largent and the fellow board members better while attending the event. Mr. Hensley appreciated Mr. Stewart's comments.

12. BUDGET PREVIEW

Ms. Largent shared a presentation as she reviewed the information it contained related to revenue-water demand assumptions noting reductions may need to be made based on restrictions coming from the State. She mentioned the staffing analysis changes, fuel increases, and reestablishment of training and travel have been added as well as noted the rate increases approved in August 2021 enable a stepped approach to get to minimum reserve levels by FY2026.

Mr. Nelson inquired as to the numbers presented in the Water Sales Comparison and whether these were gross revenues. Ms. Largent added these were only RMWD rates, not SDCWA's pass-through charges.

Discussion ensued regarding the estimated rate increases based on two different supplier scenarios.

Ms. Largent reviewed the operating capital items noting five trucks and one A/C recycler machines will be replaced. She mentioned she has worked with Operations to do a vehicle replacement plan to smooth out the rate of vehicle replacement taking into considering changes in State regulations related to vehicle requirements.

Mr. Kennedy asked why the Moosa Line and Valves were made a part of operating capital item as opposed to CIP. Ms. Largent agreed this should be moved to the CIP. Discussion followed.

Ms. Largent reviewed the Net Operating Income report noting the numbers were very preliminary. She explained some of the increases presented in the General Operating Net report. Mr. Nelson inquired about the increase to risk management and whether the savings in liability insurance costs had been included. Ms. Largent reiterated the numbers being presented are very preliminary and how an updated version reflecting those savings will be presented to the members prior to the next committee meeting.

Ms. Largent noted the Water Operating Net report will be updated significantly once the remaining information is gathered. Mr. Nelson asked for clarification on some of the numbers presented.

Ms. Largent reviewed the Wastewater Operating Net figures. Discussion ensued.

Ms. Largent noted there were no significant changes to the Capital Budget Assumptions as well as reviewed the information contained in the Operating and Debt Service Fund Balances, Water Capital Fund 60 Projected Balance, Wholesale Water Efficiency Fund 62 Capital Project Budget, Wastewater Fund 52 & 53 Projected Fund Balance reports, respectively.

Mr. Nelson asked if there was a reason for making a transfer from Operations Reserves. Ms. Largent stated a transfer is required due to the Administrative Code policy as well as industry standards best practices is to keep one year average of the CIP plan in the capital fund balance as a minimum, but ideally it is two years. Discussions followed.

Ms. Largent stressed the transfer from operating reserves was 100% contingent on the rate increases discussed. She also pointed out although the Wastewater Capital Fund will go very low in Years 1 and 2, it will not go negative due to having pooled cash; however, with the commitment of the LS1 project it was necessary to push out some wastewater capital projects.

Mr. Hensley asked whether RMWD has considered providing for compensation rate increases with everything circulating right now with people asking for such. Ms. Largent explained per the MOU's the compensation ranges will adjust for CPI, but the actual CPI per position is capped. Mr. Kennedy added to make sure all RMWD job positions are competitive in the marketplace, the ranges will increase, but Cost of Living Adjustments have already been determined.

It was noted Ms. Largent will provide this presentation and Ms. Harp an in-depth staff analysis presentation at the next Board meeting.

Mr. Nelson inquired as to whether staff would like to hold a joint Board and committee meeting on June 28th. Ms. Largent stated since this information has been brought to this committee on several occasions, she would prefer having the committee's full input at the June committee meeting and full support of what will be brought to the Board for consideration in June. Discussion ensued.

13. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Rubio reported not much to update for this month noting RMWD was still at 93% water purchases compared to last year. She stated she still shows RMWD as predicted to end the year at 14,800 acre feet.

Ms. Largent pointed out the revenues and expenses charts have been included in the packet per Director Hamilton's request.

Mr. Nelson asked if this information provided in Attachment A was valid through March 2022. Ms. Rubio confirmed this was correct.

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

It was noted a budget review including a CIP overview presentation needs to be on the next committee agenda.

15. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:07 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary