

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 14, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on November 14, 2023, by Chairperson Nelson at 1:01 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028. Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Nelson, Member Stewart, Member Townsend-Smith, Member Hensley (*arrived at 1:18 p.m.*).

Also Present: General Manager Wiley, District Secretary Washburn, Information Technology Manager Khattab, Finance Manager Largent, Accounting Supervisor Poole.

Also Present Via Teleconference or Video Conference:

Alternate Williams, Grant Specialist Kim.

No members of the public were 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**

There were no members of the public in attendance via teleconference or video conference; therefore, the instructions were not read aloud.

5. **SEATING OF ALTERNATES**

No alternates were seated.

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

Ms. Largent noted an action item needed to be added for the California Uniform Public Construction Cost Accounting Act. It was decided to add this item as #11A.

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

There were no comments.

*8. **APPROVAL OF MINUTES**

A. October 10, 2023

Motion:

To accept the minutes as provided.

Action: Approve, Moved by Member Nelson, Seconded by Member Townsend-Smith.

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

Ayes: Member Nelson, Member Stewart, Member Townsend-Smith.

Absent: Member Hensley.

9. GENERAL MANAGER COMMENTS

Mr. Wiley mentioned SDCWA has approved their rate increase of 9.5% earlier this year that will go into effect January 1, 2024 which will be passed through to RMWD's customers. He talked about the importance of getting the appropriate message out to the ratepayers via the newsletter as early as possible.

Mr. Nelson inquired as to whether a resolution needs to be passed by the Board to approve passing through SDCWA's rate increase. Ms. Largent confirmed a provision was included as part of the rate structure approved by the Board.

Mr. Wiley reported the pre-election November 7, 2023 results reflect a 95% vote in favor of the detachment; however, these have yet to be certified.

Mr. Wiley noted a good path forward has been determined for the Live Oak Bridge Project following a meeting with the contractors and staff in efforts in resolving some of the issues to ensure completion of the project including some with which the County was also concerned. Mr. Nelson stated as one of the residents within the Live Oak Park area, it has been painful to watch the progression of this project. Mr. Wiley said the anticipated completion date was slated for late January 2024 weather permitting.

10. FINANCE MANAGER COMMENTS

Ms. Largent stated the Request for Proposals for \$15M has been sent out to which two responses were received with an approximate interest rate of 6%. She also reported based on feedback received from FPUD, it was determined it would not be beneficial for FPUD to do a joint bond with RMWD; therefore, should RMWD decide to go this route, it would be on its own which would involve doing a Request for Proposal for a financial advisor to assist with the bonding process. She noted although RMWD was not overly aggressive, it was nice to know there were options available and how her recommendation would be to wait until January before doing a harder push on banking institutions and start relationships with possible long-term bonding for pipeline replacement and other capital projects in the interim.

Mr. Nelson inquired as to whether the requirement for RMWD to move its bank accounts was eliminated from the solicitation. Ms. Largent explained this was included because RMWD may be open to moving its accounts should there be a desire to look at other banks as well as noted last time some banks lost out on the opportunity to work with RMWD on a loan and they may decide to loosen up some of the criteria. Mr. Nelson asked if the bulk of the banks to which RMWD went were regional independent banks or some of the big houses. Ms. Largent answered the Requests for Proposals were provided to all of the banks; however, most often the bigger banks do not respond. She also pointed out the ten-year treasury rate has come down a bit; therefore, the interest rates may be less than initially thought.

11. COMMITTEE MEMBER COMMENTS

Mr. Stewart asked whether the purpose for the \$15M was for pipeline replacement and infrastructure improvement. Ms. Largent stated with the outlay of pulling in RMWD's capital project for the pump stations, the District will be pretty low on its reserves by the end of this fiscal year if everything planned is completed; thus, this loan will give some cushion should extra costs be incurred for any of the projects as well as should it be decided to pay the detachment fee up front.

11A. CONSIDERATION OF OPTING INTO THE CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT

Ms. Largent explained this is for the California Uniform Public Construction Cost Accounting Act (CUPCCAA) that RMWD may opt into that would change the threshold for formal bidding that could result in savings to the District by moving the amount from \$35,000 per project up to \$200,000. She noted it does require RMWD to follow specific project cost accounting procedures which RMWD already does for its capital projects. She mentioned she was able to look up other districts who have opted into this program but could not find any neighboring districts who are not a part of it. She recommended this be brought to the Board to get approval to opt in as well as update the procurement policies within the Administrative Code so that the threshold is moved from \$35,000 to \$200,000. She noted that although there are some changes to be made with informal bids, this should be studied further in terms of what is required in the Act before making any additional changes to this portion of the Administrative Code. She recommended RMWD opt in, update the procurement policies, as well as designate someone on staff to become more of an expert in this, especially in terms of the Act's requirements when doing contracting.

Discussion ensued.

Mr. Wiley confirmed Rancho California Water District has participated in the Act and how it provided for good competition as well as how it was proven to be beneficial. He noted this was a great program for getting projects done quickly and efficiently, especially when there is not a great deal of unknowns.

Member Hensley arrived at 1:18 p.m.

Mr. Nelson stated this sounds as though it would provide sole source authority for all practical purposes up to \$60,000. Ms. Largent clarified her recommendation was to change the amount from \$35,000 to \$200,000 in the procurement policy for now and then task a member of the RMWD staff to become an expert on the CUPCCAA who could then recommend additional changes to the district's policies in the future, if deemed necessary. Mr. Nelson inquired as to the federal requirements for sole sourcing projects. Ms. Largent explained there are several federal requirements including not doing sole sourcing; however, should RMWD go out for bid and only receive one response, it must be documented which is currently part of the District's current practices.

Mr. Stewart inquired as to how opting into the CUPCCAA would impact large change orders and current contracts. Ms. Largent explained caution would need to be exercised in terms of making sure a change order does not put costs associated with a project over \$200,000. Mr. Williams mentioned RMWD's current policies would still be applicable. Discussion followed.

Mr. Hensley inquired as to whether opting into this would save RMWD substantial time and effort. Ms. Largent confirmed this was correct.

Motion:

To recommend the Board approve Staff Recommendation Option 1 - Approve participation in CUPCCAA and approve the changes to the Administrative Code Section 5.02 - Purchasing.

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

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

Ayes: Member Hensley, Member Nelson, Member Stewart, Member Townsend-Smith.

***12. AUDIT/ACFR REVIEW**

Ms. Largent announced the audit has been completed and an ACFR has been put together for the committee to review. She stated this was the time to collect feedback and make any corrections prior to it being finalized following Board acceptance of the audit. She reported RMWD had another clean audit this year with no items listed in the management letter which was great news. She pointed out this does not mean there are not areas where improvements can be made, but rather that the auditors did not find materially misstated or any other major issues.

Ms. Largent said the results of the year are in RMWD's cash position, which she recently presented to the committee and Board. She explained the ACFR is a compilation of high-level results of the water and wastewater annual performance. She stated this item was to basically recommend the Board accept the auditor's opinion of a clean audit. Discussion followed.

Mr. Nelson asked if there was anything significant relating to this year's audit that caused Ms. Largent to want to change some things in the future. Ms. Largent stated there was not as well as mentioned Ms. Poole was left in charge of the audit processes while she attended a conference and how there were no issues.

Mr. Stewart requested more details related to the information provided on Page 2. Ms. Largent explained CalPERS is analyzed by an outside firm; however, she may have some suggestions to present at the January budget workshop related to this matter.

Motion:

To recommend the Board accept this audit.

Action: Approve, Moved by Member Nelson, Seconded by Member Townsend-Smith.

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

Ayes: Member Hensley, Member Nelson, Member Stewart, Member Townsend-Smith.

13. WATER SALES UPDATE

Ms. Largent reported the water sales were still down and how RMWD will be significantly below 10,000-acre feet in sales. She mentioned this will be talked about at the January budget workshop. She pointed out there should be some positive results from the meter replacement program in terms of a reduction in water loss.

Discussion ensued related to the information contained in Attachment D.

Mr. Nelson referenced Attachment E inquiring as to whether the information highlighted was for the current year. Ms. Poole clarified that although the heading was mislabeled, this information was correct for this year. Discussions followed.

Mr. Hensley recommended having the charts displayed on the screen at these meetings so that everyone can easily follow along.

14. PIPELINE REHABILITATION AND REPLACEMENT PLANNING UPDATES

Mr. Wiley talked about the steps being taken in a more comprehensive manner to address projects on RMWD's books including updating RMWD's current master plan to not only refine the pipeline replacements, but improvements as well. He noted updating the master plan involves significant effort; therefore, receiving staff would need to seek direction from the Board before proceeding.

Discussion ensued regarding pressure reducing stations as well as the path going forward.

Mr. Nelson inquired as to how this committee could be of assistance to staff. Mr. Wiley stated supporting the process going forward would be very helpful. Mr. Nelson encouraged staff to notify the committee if there anything comes to mind as to how the members can support staff.

15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Poole pointed out a new column was added to the second page of Attachment A, noting the proposed budget adjustments will be discussed as part of the budget workshop in January. She also noted the water sales would be lowered from 12,700-acre feet to 10,000-acre feet.

Mr. Nelson inquired as to whether the \$3.157M detachment payment will need to be paid in this fiscal year. Ms. Largent confirmed this was correct.


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

Ms. Largent mentioned the next committee meeting would be held on the second Tuesday in January 2024 at which time the Board will be invited to join the committee for a budget workshop. It was confirmed the committee will not meet in December.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:13 p.m.



Terese Quintanar, District Secretary



Flint Nelson, Committee Chairperson