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MEMBERS OF THE PUBLIC WISHING TO SUBMIT WRITTEN COMMENT TO THE COMMITTEE UNDER PUBLIC COMMENT OR ON A SPECIFIC AGENDA ITEM MAY SUBMIT COMMENTS TO OUR BOARD SECRETARY BY EMAIL AT DWASHBURN@RAINBOWMWD.COM OR BY MAIL TO 3707 OLD HIGHWAY 395, FALLBROOK, CA 92028. ALL WRITTEN COMMENTS RECEIVED **AT LEAST ONE HOUR IN ADVANCE OF THE MEETING** WILL BE READ TO THE COMMITTEE DURING THE APPROPRIATE PORTION OF THE MEETING. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

BUDGET AND FINANCE COMMITTEE MEETING

RAINBOW MUNICIPAL WATER DISTRICT
Tuesday, March 14, 2023
Budget and Finance Committee Meeting - Time: 1:00 p.m.

District Office **3707 Old Highway 395** **Fallbrook, CA 92028**

Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, March 14, 2023.

AGENDA

- 1. **CALL TO ORDER**
- 2. **PLEDGE OF ALLEGIANCE**
- 3. **ROLL CALL: Flint Nelson (Chair)_____ Julie Johnson (Vice Chair)_____**
Members: Peter Hensley _____ Patti Townsend-Smith _____
Alternates: Chad Williams _____
- 4. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

CHAIR TO READ ALOUD - *"If at any point, anyone would like to ask a question or make a comment and have joined this meeting with their computer, they can click on the "Raise Hand" button located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.*

*Those who have joined by dialing a number on their telephone, will need to press *6 to unmute themselves and then *9 to alert us that they would like to speak.*

A slight pause will also be offered at the conclusion of each agenda item discussion to allow public members an opportunity to make comments or ask questions."

5. SEATING OF ALTERNATES
6. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)
7. PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)
- *8. APPROVAL OF MINUTES
 - A. January 10, 2023
9. GENERAL MANAGER COMMENTS
10. FINANCE MANAGER COMMENTS
11. COMMITTEE MEMBER COMMENTS
12. REPORT ON PROGRESS OF GRANT APPLICATIONS AND RESEARCH
13. PRELIMINARY WATER FINANCIAL PLAN AND COST OF SERVICE (NEW MODEL)
14. WASTEWATER FINANCIAL PLAN AND COST OF SERVICE
15. COMMITTEE MEMBERSHIP APPOINTMENTS
16. REVIEW OF THE MONTHLY BOARD FINANCE PACKET
17. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING
18. ADJOURNMENT

ATTEST TO POSTING:

Pam Moss

Pam Moss
Secretary of the Board

3-9-23 @ 7:45 a.m.

Date and Time of Posting
Outside Display Cases

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JANUARY 10, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on January 10, 2023, by Chairperson Nelson at 1:02 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 *(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 Hensley, Member Johnson, Member Nelson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Alternate Williams, Finance Manager Largent, Accounting Supervisor Poole, Operations Manager Gutierrez, Information Systems Specialist Espino.

Absent: Member Stewart.

Also Present Via Teleconference or Video Conference:

Construction and Meters Supervisor Lagunas, Grant Specialist Kim, Administrative Analyst Barrow.

Two 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**

Mr. Nelson read aloud the instructions for those attending the meeting via teleconference or video conference.

5. **SEATING OF ALTERNATES**

No alternates were seated.

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. November 15, 2022

Ms. Washburn noted the minutes have been revised removing the arrival time for Ms. Johnson.

Motion:

To approve the minutes as revised.

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

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

Ayes: Member Hensley, Member Johnson, Member Nelson.

Absent: Member Stewart

9. GENERAL MANAGER COMMENTS

Mr. Kennedy talked about drought and water supply shortage situation noting conditions have changed a bit due to the current wet weather conditions. He mentioned although the snow pack levels are more than anticipated right now and RMWD will most likely not see allocations, everyone still needs to be wise with water use since the need for more water storage still exists.

Discussion ensued regarding the signage littered along Interstate 5 related to water.

10. FINANCE MANAGER COMMENTS

There were no comments.

11. COMMITTEE MEMBER COMMENTS

Mr. Nelson said he has been reflecting about the variance situation discussed at a recent committee meeting. He noted when reviewing RMWD’s Administrative Code, it appears to state when a variance is granted conditions could be placed on such; however, those conditions are not spelled out. He asked whether RMWD has the option of posting a bond as one of those conditions. Mr. Kennedy explained there are conditions that can be exercised; however, there were some challenges with bonds in terms of determining how long the bond will remain in place as well as what occurs should the property be sold, or the title changed.

Mr. Nelson stated he was not expecting a response today, but he gave a great deal of thought as to what type of flexibility could be put into place for these types of situations.

12. WASTEWATER FINANCIAL PLAN AND PRELIMINARY COST OF SERVICE

Mr. Kennedy noted Andrea Boehling of IB Consulting was in attendance to give a presentation on RMWD’s Wastewater Financial Plan Workshop. He also mentioned one of the things realized as part of the study was that although the Board approved an escalation of wastewater charges approximately five years ago, those rate increase were not implemented resulting in a bigger gap than anticipated. Discussion followed.

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Ms. Boehling introduced herself noting IB Consulting has been working with RMWD for several years on the water cost of service studies and now the wastewater cost of service study for the first time.

Ms. Boehling shared a presentation titled “Rainbow Municipal Water District Wastewater Financial Plan Workshop” as she summarized what transpired in 2018 and where the District is headed going forward. She pointed out part of the financial plan workshop is to gather input from the committee members to help them direct where the District wants to go. She noted they are aiming for proposed new rates of July 1, 2023 for FY2024 rates.

Ms. Boehling shared what the Equivalent Dwelling Unit (EDU) monthly service charges that were noticed and approved in 2018 would have looked like if they had been implemented. She noted the rate increases that did not happen would have been 34% cumulative increase from 2018. She pointed out there should never be a mechanism that automatically implements increases, they should be implemented manually.

Ms. Boehling reviewed the Financial Plan Summary including the impacting factors such as expense projections, reserve funding, flow demands, capital spending, and revenue projections. She talked about the key assumptions such as account growth, reserve interest rate, and cost escalations noting any feedback from the committee members would be welcomed.

Ms. Boehling shared information related to RMWD’s current financial position as she reviewed the wastewater operating position, wastewater capital program, wastewater ending reserve balances, wastewater reserves, and results of the review.

Ms. Boehling presented options related to the proposed financial plan. She stated from her perspective the number one priority should be to eliminate operating deficit, fund operating reserve, and build up funding for the capital reserve. She talked about how each of these objectives can be achieved including adjusting rates to cover operating deficit, cut costs, and issue debt if possible.

Discussions ensued.

Ms. Boehling walked the committee through two different scenarios noting the first would be to defer capital and the other to defer capital and implement previously adopted rates as soon as possible. She presented examples of what the proposed financial plan would look like should either scenario or a combination of both were executed.

Mr. Nelson said assuming RMWD has achieved its objectives, was there any sense as to what the percent increases would be after FY 2028. Ms. Boehling explained without knowing what the capital will be, the percentages could not be determined. Mr. Nelson noted his concern was how pleased the Board will be at 50% followed by 5%-9% with no hope in sight; therefore, he wanted to know what would happen if the 50% was lower and the increases were stretched out beyond what was being recommended. Ms. Boehling acknowledged Mr. Nelson’s comments and said a scenario can be run where the capital is introduced on those out years or a measured approach for the capital for those out years to see what it would look like; however, the problem with spreading out the 50% is knowing from where that money will come. She pointed out if RMWD does not do the 50% now, it will use up all the reserve which is already in a deficit. Mr. Nelson clarified his suggestion was to have a few stretch out scenarios prepared in the event the Board is reactive to the 50%.

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Ms. Johnson asked whether RMWD has a mandatory minimum reserve percentage that must be maintained. Mr. Kennedy stated not by law, but rather an internal policy. Ms. Boehling pointed out RMWD cannot be compared to other local larger agencies.

Ms. Boehling reviewed the recommendations reiterating RMWD should implement the 2018 approved rates that were already noticed as soon as possible. Discussion ensued regarding moving RMWD's wastewater charges to the property tax roll.

Mr. Nelson agreed with the 2018 approved rate increases being implemented soon. Mr. Kennedy agreed with moving forward as the Board directed when they approved the rates; however, this information needs to be shared with the Board first. Discussion ensued.

Ms. Johnson requested copies of the presentation be shared with the committee members.

13. PRELIMINARY REVIEW OF MID-YEAR BUDGET ADJUSTMENTS

Ms. Largent stated she will be meeting with each department to discuss which adjustments will need to be made. She noted there was nothing to present today; however, a list of adjustments will be presented to the committee in March.

14. DISCUSSION REGARDING COMMITTEE MEMBERSHIP (APPOINTMENTS AND REAPPOINTMENTS)

Ms. Washburn pointed out this item was placed on the agenda to provide an opportunity for Mr. Stewart to let the committee know whether he would like to continue to serve on the committee as a member of the public since he is no longer on the Board. She stated since Mr. Stewart was not present, she will reach out to him to let him know this committee find his input valuable and would like him to continue.

15. DISCUSSION AND POSSIBLE ACTION TO APPOINT 2023 COMMITTEE CHAIRPERSON

Mr. Nelson stated in the spirit of rotation, he is happy to pass the role of chairperson on to someone else who may be interested.

Motion:

Mr. Nelson retain the chairmanship.

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

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

Ayes: Member Hensley, Member Johnson, Member Nelson.

Mr. Nelson thanked the committee for their continued confidence.

16. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Poole stated nothing significant has changed in the financial packet. Discussion ensued regarding water sales projections.

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Mr. Nelson referenced Attachment A as he inquired about the wastewater operating underspending. Ms. Largent explained the over/under column provided in the attachment accounts for what percentage of the year RMWD was already through and how the City of Oceanside only invoices once per year which has not yet been received.

Mr. Nelson inquired about the information provided for Rice Canyon on Attachment B. Ms. Largent pointed out the numbers provided are through October 31st and need to be updated. Mr. Williams added the invoices are usually remitted 2-3 months behind schedule.

Ms. Johnson asked if the Live Oak Park Bridge has been completed. Mr. Williams replied it was not.

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

It was noted the mid-year budget adjustments and wastewater financial plan and preliminary cost of service should be on the next agenda.

18. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:25 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary

