

**MINUTES OF THE RAINBOW MUNICIPAL WATER DISTRICT
JOINT BOARD OF DIRECTORS & BUDGET AND FINANCE COMMITTEE
SPECIAL MEETING
APRIL 9, 2024**

1. **CALL TO ORDER** - The Rainbow Municipal Water District Joint Budget and Finance Committee and Board of Directors Special Meeting of April 9, 2024, was called to order by President Hamilton at 1:00 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Hamilton presiding.

2. **ROLL CALL:**

Present: Directors Hamilton, Johnson, Mack, Dale
Members Hensley, Nelson, Stewart

Also Present: General Manager Wiley, Engineering and CIP Program Manager Williams, Chief Operating Officer Gutierrez, Chief Financial Officer Aragon, Administrative Services Manager Harp, Technology Manager Khattab, District Secretary Quintanar, Senior Project Manager Tamimi, Senior Project Manager Tamimi, and Environmental Health and Safety Officer Johnson

Absent: Director Townsend-Smith

One member of the public, Phil Forbes, was present in person. Mig Gasca and Legal Counsel Smith were present virtually.

3. **PLEDGE OF ALLEGIANCE**

4. **ADDITIONS/DELETIONS/AMENDMENTS TO AGENDA**

5. **APPROVAL OF THE AGENDA**

To approve the Agenda as presented.

Action: Approve, Moved by Director Mack, Seconded by Director Johnson.

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

Ayes: Directors Hamilton, Johnson, Mack, and Dale

6. **PUBLIC COMMENT**

Instructions for public comment opportunities were read aloud. There were no requests.

7. **BUDGET WORKSHOP NO. 1 PRESENTATION**

Mr. Wiley summarized the progress and engagement of the March 19, 2024, meeting and the purpose and goal of this meeting and the next joint meeting in anticipation of the presentation of the next fiscal year budget for adoption, in June.

Mr. Aragon reviewed a PowerPoint presentation in detail. The presentation included a five-year projection and explained financial scenarios should the District not raise rates or issue debt. The challenges are low reserves, historically low water sales, and large, critical Capital Improvement Projects.

Major assumptions in the projection included projected water sales of 10,000 acre feet per year, the detachment from the SDCWA, chemical costs, electrical costs, no additional capacity fees, and inflationary projections related to payroll and benefits, electric utilities, City of Oceanside sewer treatment costs, and an increase to supplies and services.

Mr. Aragon recommended financing options, including a \$10M loan, a 4.5 percent increase in water rates on July 1st, and on January 1st, 2025, and a 13 percent increase in wastewater rates. He also recommended increasing capacity fees by construction inflation since 2017 when the rates are adopted, and updating fees for services to recover current costs.

For the long-term plan, Mr. Aragon recommended setting reserve targets that would be funded within five years, the issuance of additional debt in fiscal year 2028 to fund water and wastewater CIP, and additional CalPERS liability contributions that would result in a quicker payoff and a \$3.3M savings. This plan would fully fund District operations with inflationary cost increases, fully fund the 5-year CIP plan, reduce CalPERS liability repayment timeframe by 50 percent, keep debt at prudent levels, restore cash reserves, transition rate increases to only one time per year, and reduce future rate increases, due to detachment savings, from 9 percent to 4 percent. Mr. Aragon also explained debt covenants (parity debt), current debt service, and projected debt.

President Hamilton called for a brief recess at 2:50 p.m., and the meeting reconvened at 3:05 p.m.

Discussion continued specific to cash reserves. Mr. Aragon explained that reserves are an important element for providing financial capacity and ensuring the District can fulfill its mission to reliably deliver critical water services and provide stable rates for its customers. Finding the right balance includes considerations for long-term fiscal needs and risk tolerance. Mr. Aragon explained reserve priority classification and components, including liquidity, stabilization, and contingency, priority requirements, and staff-recommended changes to reserve targets.

Mr. Aragon also provided a SDCWA detachment savings breakdown that reflected a projected savings of \$8.3M in annual lower water costs.

Throughout the presentation, staff answered questions, and noted requests from the Board and Committee Members.

Mr. Phil Forbes addressed the Board and Committee to thank them for their work to address the many challenges. He expressed that he was very encouraged by the

professional staff, was optimistic that the District would find a solution, and relayed his appreciation and encouragement to keep up the good work.

Appreciation was expressed by several members, and Mr. Wiley, Mr. Aragon, and the staff were complimented for the work and information provided.

8. INFORMATION ITEMS

A. Finance Report

Information Items were included for reference only. No action was taken.

9. ADJOURNMENT

President Hayden reminded everyone that the next special joint meeting is scheduled for May 14, 2024, at 1:00 p.m.

The meeting was adjourned at 3:42 p.m.



Hayden Hamilton, Board President



Terese Quintanar, District Secretary