

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JUNE 13, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on June 13, 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 Hensley, Member Nelson, Member Stewart.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Engineering and Alternate Williams, Information Technology Manager Khattab.

Absent: Member Townsend-Smith.

Also Present Via Teleconference or Video Conference:

Human Resources Manager Harp, Administrative Analyst Barrow, Grant Specialist Kim, Construction and Meters Supervisor Lagunas.

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**

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)**

There were no amendments to the agenda.

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

Julie Johnson, the former Committee Vice Chairperson, said she wanted to say thank you to the committee members. She noted the election was very tight and how she believes the experiences she gained from serving on both this and the Engineering and Operations Committee was very important in the Board's decision. She personally thanked the members for their time, investment, and for teaching her, noting this meant a great deal to her as well as be something she will be able to carry with her for the rest of her life in different areas.

Mr. Nelson thanked Ms. Johnson for her kind words. He noted she was an active and engaged member of the committee who is the only member of the public he knows of that has served on all three committees. He said although Ms. Johnson will be missed, she will be seen in a larger environment. He thanked Ms. Johnson for her service.

***8. APPROVAL OF MINUTES**
A. May 16, 2023

Motion:

To approve the minutes.

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

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

Ayes: Member Hensley, Member Nelson, Member Stewart.

Absent: Member Townsend-Smith.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy explained why he plans to oppose the SDCWA's proposed rate increase and budget adoption at their rate hearing scheduled for the upcoming week. He stated his opposition was not due to his believing SDCWA does not have financial needs, but rather the methodology utilized to calculate the rates as well as the refusal to address the bigger issue of declining sales.

Mr. Stewart inquired as to what SDCWA would do should there not be enough revenue generated for them to pay their costs. Mr. Kennedy confirmed they would need to reach into their reserve as they have in the past; however, this is not something that should continue forever.

Mr. Nelson noted RMWD has managed to keep the costs of operating the district relatively flat during inflationary times and wanted to know if SDCWA could say something similar. Mr. Kennedy stated it would depend as to whether energy was included; however, when looking at SDCWA's budget, 90% of their costs are fixed and only 5% of their revenue is fixed.

10. FINANCE MANAGER COMMENTS

Ms. Largent announced the Union Bank to US Bank transition completed successfully. She mentioned RMWD's rate hearing will take place on June 27th as well as that there was not a finance packet included with today's agenda due to the interim audit taking place.

11. COMMITTEE MEMBER COMMENTS

Mr. Stewart asked whether the committee will be presented with a year-end preliminary report in July. Ms. Largent stated she will provide a preliminary report in July; however, since many of the entries are done monthly, the report will not be all that preliminary other than depreciation.

12. METER DOWNSIZE PRESENTATION

Mr. Williams noted meter downsize variance requests come to this committee first for a recommendation for the Board's consideration. He stated after many discussions ensued, staff took it upon themselves to conduct an analysis of RMWD's Administrative Code as well as the policies and procedures followed by other local agencies. He presented the results of the analysis.

Mr. Williams mentioned the objective was to survey local agencies to compare RMWD's downsize meter variance request processes. He reviewed RMWD's current processes. Ms. Largent added if the variance falls within RMWD's Administrative Code parameters, staff signs off on these requests without first presenting them to the committee and Board for recommendation or consideration.

Mr. Williams talked about the survey conducted with other local agencies to which six out of seven replied. He reviewed the survey results noting although each received these types of requests, they have various means for addressing such. He explained the difference between issuing credits versus refunds.

Mr. Williams shared the conclusions including, no other district issues a straightforward refund of capacity fees; some districts issue a credit in capacity fee differences but have strict rules on how to apply the credit; most customers do not move forward with downsizing their meters due to forfeiture of original capacity fees and cost to change the meter; and RMWD processes for meter downsize variance is aligned with local industry standards. He stated based on these conclusions, staff would recommend continuing with Administrative Code Section 8.11.040.03 as is for capacity class downsizing (no credits or refunds).

Ms. Largent mentioned there was some discussion regarding changing the Administrative Code to charge a fee to customers that are burning through meters so they would have to pay for the material. Mr. Kennedy noted this would require receiving legal advice before proceeding.

Discussion ensued.

13. DETACHMENT UPDATE

Mr. Kennedy reported the LAFCO hearing took place on Monday, June 5th, noting LAFCO staff did an amazing job presenting their report. He explained the processes that took place including the public comment period. He noted there was a great mix of individuals from various backgrounds who addressed the Commission regarding the matter.

Mr. Kennedy stated the Commission made a motion which was seconded in favor of Option 2- which is to allow detachment with an exit fee. He explained immediately after the motion was made, one of the Commissioners requested a recess who, once the meeting reconvened, asked a series of questions related to the exit fee amount which in turn resulted with the matter being tabled until August 7, 2023.

Mr. Kennedy mentioned since the June 5th hearing, it has been rumored that the City of San Diego is attempting to get an urgency bill before the Governor to change AB530 before the Commission meets again in August. He said as a result, he has been notified that LAFCO has decided to call an emergency meeting for June 14, 2023, to discuss AB530 as well as possibly changing the tabled hearing date to July 10, 2023. Discussion ensued.

Mr. Kennedy mentioned one of the elements that also confused the Commission was that on the morning of the June 5, 2023 meeting, Keene Simonds received an email from the Chair of Metropolitan Water District (MWD) claiming MWD has some authority or prerogative to review the detachment matter themselves even though they had already weighed in on the matter years ago stating they have nothing to do with it and were neutral. He stated after learning MWD would be discussing this matter at their meeting this morning, he made sure to be in attendance to provide testimony. Discussion ensued.

Mr. Kennedy stated he will attend LAFCO's special meeting tomorrow to hear whether the hearing is rescheduled for July 10th.

Mr. Hensley asked if anything has been published showing the positives and negatives related to this issue. Mr. Kennedy stated although there have been some articles published, the best document from which to receive this information would be the prospectus. Ms. Largent pointed out this document was provided as a handout at a previous committee meeting and offered to email a copy of such to the committee members for their reference.

Mr. Stewart stated it seems as though the messages being relayed in the media has been simplified as opposed to sharing the real story that RMWD and FPUJ have spent \$900M helping SDCWA build a system to transport, store, and treat water that benefits the rest of San Diego County, but not RMWD and FPUJ. He pointed out this part of the story never seems to get into the messages being relayed and should be included. Discussion followed.

14. AUDIT UPDATE

Ms. Largent stated the interim audit process took place last week and how it was now more like a full-on audit as a means of assisting with making the year-end process much quicker. She noted RMWD's year-end audit has been scheduled for September 5-8, 2023.

15. WASTEWATER LOAN UPDATE

Ms. Largent explained this was a \$5M loan for which RMWD was applying for gap financing in the event it becomes necessary. She reported she has reached out to ten financial institutions of which five responded. She noted the rates received to date are 4.6%-5.8%. She stated she will provide the committee with a full report at the next committee meeting.

16. APPOINTMENT OF COMMITTEE VICE CHAIRPERSON

Mr. Nelson stated due to the resignation of Julie Johnson, the committee needed to appoint a new committee Vice Chairperson.

Motion:

To appoint Bill Stewart as the committee Vice Chairperson.

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

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

Ayes: Member Hensley, Member Nelson, Member Stewart.

Absent: Member Townsend-Smith.

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

It was noted updates on the wastewater loan, detachment, and water sales should be on the next committee agenda.

18. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:09 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary