

**MINUTES OF THE SPECIAL BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 23, 2015**

1. **CALL TO ORDER** - The Special Meeting of the Board of Directors of the Rainbow Municipal Water District on October 23, 2015 was called to order by President Sanford at 9:05 a.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Sanford presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Director Walker
Director Sanford
Director Brazier
Director Griffiths

Absent: Director Lucy

Also Present: General Manager Kennedy
Executive Assistant/Board Secretary Washburn
Legal Counsel Moser
Finance Manager Thomas

One member of the public was present.

Sudhir Pardiwala and Andrea Boehling were present via teleconference.

4. **PUBLIC COMMENT RELATING TO ITEMS ON THE AGENDA**

There were no comments.

BOARD INFORMATION ITEMS

5. **WATER RATE SETTING WORKSHOP**

Mr. Kennedy thanked everyone for attending today's meeting. He noted normally there would be more time allowed to complete this task; however, with the State Board requirement to have the Proposition 218 notices out by November 1, 2015, the timeframe was accelerated. He explained due to the fact the Board will be considering setting a public rate hearing date at their October 27, 2015 meeting, Mr. Pardiwala and Ms. Boehling were teleconferenced in to review some of the policy questions prior to the Board setting the hearing date.

(*) - Asterisk indicates a report is attached.

Mr. Kennedy noted how there have been numerous staff reviews finalizing all the little details. He said the rate structure was in place and now the Board can make any changes they would like that will tweak the matrix accordingly. He pointed out one of the main things being dealt with are the changes in how RMWD was allocating its fixed costs across the different customer classes to better reflect the cost of service. He explained that in accordance with Proposition 218, RMWD has to be very careful to make sure the cost associated with these customer classes are reflective of the actual cost incurred for those. He stated in light of this, Raftelis has done an extensive analysis of the District's budget, expenses, etc. to find out where to appropriately allocate those costs. He pointed out there was some flexibility to some extent; therefore, at this time, Mr. Pardiwala will review the draft study and get input from the Board.

Mr. Pardiwala proceeded with reviewing the draft RMWD Water Rate Study.

Director Walker inquired as to what agricultural/domestic customers meant. Mr. Kennedy explained these were customers who had a home that were under the TSAWR rates. He also explained the TSAWR commercial classification. Discussion followed.

Legal Counsel confirmed under Proposition 218 there were two elements; 1) availability to charge a certain amount for just availability of the serve, and 2) having the cost for use of the system and quantity of water being somehow proportional.

Director Griffiths inquired as to whether this rate study was due to the drought conditions. Mr. Kennedy explained since it has been five years since RMWD went through its last Proposition 218 notice, the District must do a cost of service study in order to change its rates (including increased pass through rates from SDCWA). He pointed out RMWD was making this change mainly due to the State Board imposing a regulatory change to assist RMWD with the State's reporting requirements with information that more accurately reflects the District's customer structure.

Director Griffiths asked what happens should the drought conditions disappear and if the proposed rates be reduced to reflect the change. Mr. Kennedy stated because RMWD has to forecast how much water the District will sell, any rate reductions would depend on weather conditions and other elements that may impact RMWD's water sales. Director Griffiths asked information related to possible rate changes be made absolutely clear for the October 27, 2015 Board meeting.

Mr. Pardiwala continued with the presentation.

Discussion ensued regarding some of the customer benefits associated with the proposed rate structure.

Discussion ensued regarding RMWD's operating costs, CIP, and Master Plan.

Mr. Kennedy explained the benefits of having a Rate Stabilization Reserve; however, RMWD does not currently have this in place. He talked about how most agencies have these reserves in place should a revenue shortfall occur due to a decrease in demand caused by things such as rainy weather. He noted this was one of the policy elements for the Board to consider today. He stated should the Board decide to put such a reserve in place, staff will update the Administrative Code with related policies. Discussion followed.

(*) - Asterisk indicates a report is attached.

Mr. Kennedy agreed to make copies of the presentation for the Board. He also pointed out this was a workshop and how hard copies of the updated draft will be available at the October 27, 2015 Board meeting.

Legal Counsel confirmed Improvement District funds are pretty wide open in terms of what they can be used for due to the original description not being narrowly defined.

Mr. Pardiwala continued with the presentation.

Director Walker excused himself from the meeting at 10:22 a.m.

Mr. Kennedy confirmed average consumption in the handout is per month.

Mr. Kennedy requested the name of the pump zones on the chart as opposed to the numbers.

President Sanford suggested it be made very clear to the public that the reduction rate refers to water use reduction.

Mr. Kennedy explained how right now staff needed direction from the Board in terms of which way they would like staff to proceed so that he can prepare the presentation to be given at the October 27, 2015 Board meeting. He explained if there are any changes the Board wants to the presentation, these needed to be made before the Board meeting because once that meeting ends, production of the rate hearing notices will be made out immediately in order to be in compliance with Proposition 218. He confirmed the notices have to be mailed to every property owner plus any ratepayer who is not a property owner. He mentioned one of things he was advised of by Counsel on the State Water Resources Control Board Order was that although RMWD filed a Petition for Reconsideration, RMWD should try to meet the terms of that Order while going through the process.

Mr. Carlstrom expressed concern regarding the balanced reached between agriculture and domestic. He said although RMWD always wants to support as much agriculture as possible; however, with the growth in residences along with the possibility of being in a long time drought period, the pushing of the agriculture against the domestic he thinks could be imbalanced. Mr. Pardiwala addressed the concern explaining the steps that were taken in structuring the rates with both agricultural and domestic classes in mind. Mr. Kennedy explained the TSAWR program is run by SDCWA that gives a reduction in the fixed and supply costs. He noted there will be no agricultural discount whatsoever in this proposed rate structure other than the TSAWR. He added there was a separate class for residential and agriculture due to the fact their peaking factors were different. Mr. Carlstrom offered to look at all the data provided and have any comments to Mr. Kennedy by Tuesday.

Mr. Pardiwala excused himself from the meeting at 10:58 a.m.

Discussion continued regarding both the agriculture and domestic customer classes.

Mr. Kennedy said he was comfortable with the direction provided by the Board today and will finalize the information for Tuesday's Board meeting.

6. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING

(*) - Asterisk indicates a report is attached.

7. **ADJOURNMENT - To Tuesday, October 27, 2015, at 1:00 p.m.**

The meeting was adjourned with a motion made by Director Brazier and seconded by Director Griffiths to a regular meeting on Tuesday, October 27, 2015, at 1:00 p.m.

The meeting was adjourned at 11:04 a.m.

Dennis Sanford, Board President

Dawn M. Washburn, Board Secretary

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