

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JANUARY 9, 2024**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on January 9, 2024 by Chairperson Nelson at 1:00 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, Alternate Williams

Also Present: General Manager Wiley, District Secretary Quintanar, Interim Finance Manager Poole, Operations Manager Gutierrez, Information Technology Manager Khattab, Construction and Meters Supervisor Lagunas, and Engineering and CIP Manager Williams

Absent: Member Hensley, Member Townsend-Smith

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**

Alternate Williams was seated.

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

Chairperson Nelson requested postponement of this matter until February. Mr. Wiley referenced the Administrative Code and responded that the matter can be placed first on the February agenda. No action was taken.

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

No members of the public were in attendance.

8. **APPROVAL OF MINUTES**

A. November 14, 2023

Motion:

To accept the minutes as provided.

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

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

Ayes: Member Nelson, Member Stewart, Alternate Member Williams

Absent: Member Hensley, Member Townsend- Smith

9. GENERAL MANAGER COMMENTS

Mr. Wiley announced the departure of Ms. Largent, as she accepted another career opportunity. Human Resources staff worked diligently to hire two individuals. Rick Aragon accepted the offer to fill the Finance manager / Chief Finance Officer role. He comes to us with a wealth of experience and expertise. Our accounting supervisor will be taking some time off also, so we've hired Lauren Warren as a temporary position to fill the role, for which she is very qualified. Mr. Aragon will join the District January 22, 2024.

Mr. Wiley continued that we are closing the books for December and will get up to speed in February. He also updated the committee about the Division 3 vacancy and efforts to appoint a replacement. He also reported that the San Diego County Water Authority (SDCWA) Settlement Agreement was executed on December 21, 2024, which lays out a clear path toward detachment. Meetings continue and we expect to be done the end of the second quarter and will finalize the capital improvement project in approximately nine months. Mr. Wiley also relayed some of the information gathered regarding financing and the timing of the work ahead.

10. FINANCE MANAGER COMMENTS

There were no comments.

11. COMMITTEE MEMBER COMMENTS

Member Stewart opined that the timing is rolling out pretty well for the capital improvement project related to the attachment. Mr. Wiley agreed and added that, for budgeting purposes we plan for the full duration of the project and if a mid-year adjustment saving money needs to be done, that will be a good thing.

12. MID-YEAR BUDGET REPORT

Ms. Poole explained that this is a preview so we can provide Mr. Aragon the opportunity to participate, once he's on board. She referenced the budget report, reflecting the original budget approved was just over \$14M for wastewater, water, and wholesale water. Staff proposed an adjustment increase to \$20.7M. The year-to-date spent for water and wholesale water is \$4.7M, and \$2.4M for wastewater. Mr. Wiley added that this recommended adjustment assumes that we will expend the entire construction contract budget for Pump Station 5 by the end of this fiscal year. Ms. Poole opined that we will not meet the budgeted sales target of 12,700 acre-feet (AF).

She expects our final sales to be less than 10,000 AF, based on projections that are reviewed each month.

Mr. Wiley explained that the drop in sales results in less revenue and also reduced expenses. We have been conservative with our meter accounts, but this concerns capital spending and what affects the reserves. Also, staff will meet this Thursday to look at Capital Projects to find areas where we might cut back and prioritize projects. Clarifying for Chairman Nelson, Ms. Poole explained that the Rainbow Water Quality Improvement line item had a roll over \$518,093 of unexpended funds from the previous fiscal year. Mr. Williams added that this is a County of San Diego project to clean up the stormwater runoff into the basin. This resulted in several utilities, including RMWD, relocating some facilities. This is another project allocated and approved in the previous fiscal year, but not completed due to several delays. Thus, the unexpended funds were rolled over into this fiscal year. Chairman Nelson expressed disappointment with the projection for lower water sales for the year and a concern for the continuous decline of agricultural water sales. Discussion followed regarding continued monitoring and efforts to balance revenues and expenses. This matter will be presented once again in February.

13. ZERO USAGE METER DISCUSSION

Mr. Wiley reported we'd replaced 8,000-9,000 meters over the years and noticed meters seeing a decoupling of meters or seeing high, very low, or zero flow. Some component replacements and meter replacements have been made. Issues are being monitored, and the first replacements have been evaluated. The registers are not registering use, and our Administrative Code establishes that we will back bill for the average consumption for three months prior for those we verify as previously registering under. Staff proposed outreach to affected customers to offer options to pay over time. Information is being double-checked. Mr. Gutierrez explained decoupling, which happens infrequently but results from excess water that exceeds the meter's capability. Staff are working to solve the issue for revenue protection, and we will continue to look at options such as AMI. A small pilot project is underway to provide data on efficiency and benefit to customers. Mr. Wiley explained that the billing issue can be complex regarding the meter size needed. He projected that once fully evaluated, this will affect approximately a few hundred customers. Chairman Nelson encouraged the efforts and expressed the importance of equity for all ratepayers. Staff will continue to evaluate options, make corrections, work with customers to back bill, and upsize meters as legally allowable.

14. APPOINTMENT OR REAPPOINTMENT OF COMMITTEE CHAIRPERSON

This matter was deferred to February 2024.

15. SOFTCHOICE CONTRACT UPDATE

Mr. Khattab presented this matter for information. He explained that the Board has approved this matter, which involves a contract with Softchoice for all of our Microsoft products, as well as on site licensing and cyber security. The County of Riverside has negotiated this contract on behalf of the State of California, so there's no competition with other vendors. The contract is for three years, approximately \$25,827 per year, for a total contract amount of \$77,483. Staff solicited competitive bids, and learned that Microsoft does not directly contract with local agencies. The software and services can be purchased on line, independently, for a higher price.

16. KYOCERA CONTRACT UPDATE

Mr. Khattab explained this item has also been approved at the Board level. In 2019, we replaced all of our copiers and printers. In an effort to standardize our entire fleet and reduce costs, we requested bids for leasing the printers. We found a lease option that covered four copiers and thirteen printers, for five years, ending this year. Kyocera has renewed the lease and replaced our entire fleet with more modern equipment, with better pricing. The better pricing is correlated to a reduction in printing. The new agreement is for five years and the total is \$135,009. The new fleet is all laser and all new models, and is already on site.

17. REVIEW OF THE MONTHLY BOARD FINANCE PACKET


Ms. Poole relayed kudos to Customer Service staff, which received more calls but retained the same average hold time. Referencing the Mid-Year Review information in the packet, Chairman Nelson requested clarification be made for consistency that we anticipate to reach our 10,000 acre-foot projection, instead of the previous projection of 12,700 acre feet. He also referenced Attachment D and requested clarification. Ms. Poole confirmed that the budgeted purchases line was added to the report by request and variance to the prior year is 19%.

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

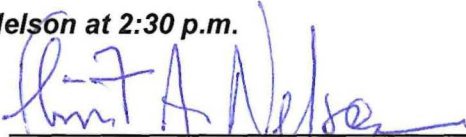
The Mid-Year Budget information will be presented. Mr. Wiley explained that our rate consultant has added data to our rate model reflecting Eastern MWD's rates and has been working on Eastern MWD's fixed costs, which differ from the San Diego County Water District's fixed fees. Our consultant has been invited to share information at the February meeting. The committee appointment item which was deferred at this meeting will also be agendaized for consideration.

19. ADJOURNMENT

The meeting was adjourned by Chairman Nelson at 2:30 p.m.



Terese Quintanar, District Secretary



Flint Nelson, Committee Chairperson