

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APRIL 11, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on April 11, 2023, 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, Member Johnson (*arrived via video conference at 1:08 p.m.*).

Also Present: Billing Specialist Kilmer, Finance Manager Largent, Information Technology Manager Khattab, Accounting Supervisor Poole, Billing Specialist Kilmer, Operations Manager Gutierrez.

Absent: Member Townsend-Smith, Member Hensley, Alternate Williams.

Also Present Via Teleconference or Video Conference:

Senior Project Manager Parra, Human Resources Manager Harp, Grant Specialist Kim.

No 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.

Member Johnson joined the meeting at 1:08 p.m.

***8. APPROVAL OF MINUTES**
A. March 14, 2023

Motion:

To accept the minutes.

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

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

Ayes: Member Nelson, Member Stewart, Member Johnson.

Absent: Member Townsend-Smith, Member Hensley, Alternate Williams.

9. GENERAL MANAGER COMMENTS

There were no comments.

10. FINANCE MANAGER COMMENTS

Ms. Largent mentioned Mr. Kennedy attended a LAFCO meeting on April 10th during which the draft detachment report was reviewed. She noted there was a vote taken where RMWD and FPUD reiterated their support for the detachment as well as talked about which options within the report they supported, two SDCWA delegates against the detachment, and three more independent individuals who showed more support for the detachment with exit fees. She pointed out this was not an official vote.

11. COMMITTEE MEMBER COMMENTS

There were no comments.

12. WATER AND WASTEWATER FINANCIAL PLANS AND COSTS OF SERVICE

Ms. Largent shared a presentation noting this was the same staff will be presenting to the Board at the April 25th meeting. She pointed out the wastewater capital projects have been included in the presentation.

Mr. Stewart inquired as to why the account growth was set at 0% in the key assumptions. Ms. Largent explained all the Citro growth has been factored into this fiscal year; however, no other growth has been confirmed. She pointed out RMWD has not increased wastewater rates for years; therefore, a significant increase is necessary to replenish the reserve balances. She clarified during the proposed increases will be reviewed during each of the four out years and adjusted accordingly per Board approval. Discussion followed.

Ms. Largent pointed out where RMWD would land on the regional rate comparison chart based on the two scenarios being presented. She also reviewed some of the points associated with the aspect of collecting wastewater fees on the property tax roll noting doing such was very common practice in the wastewater industry. Discussion ensued.

Ms. Largent continued with presenting the water rate alternatives, including the key assumptions, current financial position, current rates, proposed water financial plan, sales of the past 10 prior years, and water purchases. She reviewed the water rate design considerations noting one of

the Board directives has been to get more of the rate onto the fixed fee portion; therefore, she has prepared some scenarios that would increase those percentages for the committee and Board to consider. She provided more details related to each of the five proposed scenarios including the impacts of each.

Mr. Nelson inquired as to why it appeared the rate increase for Scenario 3 is the same as that for Scenario 2. Ms. Largent explained when more of the recovery is on the fixed portion of the rate, it would be easier on those customers who utilize more water.

Ms. Largent displayed examples of the five scenarios for each customer classification while providing more details. She provided the pros and cons for the scenarios as well as mentioned she will be asking the Board to set the rate hearing for June 27, 2023 proposing Option 2 for the Wastewater Proposition 218 Rate Notices, Option 2 for Water Proposition 218 Rate Notices, as well as including wastewater charges on the property tax bill.

Mr. Nelson stated he finds the current presentation to be difficult to work with; therefore, he suggested changing it to display all the blue charts first followed by the charts with the dollar amounts to make it less confusing. Ms. Largent agreed with this recommendation noting it would assist with the flow of presenting a great deal of information.

Mr. Stewart recommended putting out information on the proposed rate increases premising such with noting RMWD was a relatively small sewer agency that only provides minimal opportunity for investing in a wastewater treatment plant or make an agreement with Oceanside for processing the wastewater. He stated most customers are not aware of the story behind the wastewater services or the need for new facilities; therefore, it should be shared as a means of demonstrating what it costs the District on a fixed basis. Ms. Largent appreciated the feedback on wastewater.

Ms. Largent solicited input from the committee in terms of the water rate increases. Ms. Johnson agreed there was a great deal of information involved and that however it is presented will take time for everyone to comprehend and process, especially for the Board due to their having to represent their divisions. She stated the need to increase wastewater costs quickly makes a great deal of sense, but she has concerns associated with the increasing water rates and may need more time to process such.

Mr. Nelson said he believes RMWD best serves its ratepayers by under promising and over delivering. He stated when it comes to rates, he recommends adopting a scenario for each that sets a potential bar for rate increases at a higher level than what is actually believed will have to be implemented. He said if he had to chose between the first three scenarios, he would recommend Scenario 1 with hopes that the circumstances will allow for RMWD to report out to the ratepayers the higher rates will not be implemented, but rather a lower percentage increase.

Ms. Largent confirmed the hearing will be opened by the Board at their April meeting followed by all the information being presented at the June Board meeting.

Ms. Johnson stated whatever decision is made, there are growing concerns about tightening up on money. She asked if there was any type of open forum for which communication would be available to individuals who would like to hear the information and ask questions for response. Ms. Largent explained as part of the Budget and Finance Committee, members of the public are encouraged to become participants in the process as well as how there will be multiple options available for remitting comments or attend the Board meeting to express their concerns or ask questions. She noted there will also be a Town Hall meeting held on May 17 and a communications position hired along with a consultant to assist with communicating this information with the public. Ms. Johnson expressed delight with having as much transparency as

possible. Ms. Largent pointed out she will recap all of the outreach conducted in an attempt to engage the public as a means of being transparent as possible in the rate notices.

Ms. Largent thanked the committee members for their input, which will all be shared with the Board when she presents this information to them.

***13. DISCUSSION AND POSSIBLE ACTION TO APPROVE A 24 MONTH PAYMENT PLAN FOR ACCOUNT 005458-000**

Ms. Largent explained this was related to an illegal connection that was discovered to have been put in place by the contractor who resided at the property prior to the new property owners purchasing the home. She noted the current owners understand they are responsible for the damage the illegal connection caused and were simply asking for time to pay for such with a 24-month payment plan. She stated although exceptions have been made in the past in extenuating circumstances such as this, Board approval is required.

Ms. Johnson asked whether the customer was agreeable to paying for the damages in full within twenty-four months. Ms. Largent confirmed.

Mr. Stewart acknowledged this situation places the current customer in a tough predicament and how he finds it reasonable for the committee to recommend the Board grant a 24-month payment plan considering the current homeowners took responsibility. Discussion followed.

Motion:

To recommend the Board approve Option 1 - Approve the 24-month payment plan.

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

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

Ayes: Member Nelson, Member Stewart, Member Johnson.

Absent: Member Townsend-Smith, Member Hensley, Alternate Williams.

14. APPOINTMENT OF VICE CHAIRPERSON

Mr. Nelson asked Ms. Johnson if she would be willing to continue to serve as vice chairperson. Ms. Johnson stated she would be willing to continue and then have another committee member appointed to this position in the future.

The committee members present reaffirmed the appointment of Julie Johnson as Vice Chairperson remain in effect for another term.

15. POSSIBLE RESCHEDULING OF MAY 9, 2023 COMMITTEE MEETING DUE TO ACWA SPRING CONFERENCE ATTENDANCE

Ms. Largent staff wanted to know if it would be possible to move the May 9, 2023 committee meeting to May 16, 2023 to allow for attendance at the ACWA Spring Conference as well as be able to present a budget review to the committee members. The committee agreed to change the meeting date to Tuesday, May 16, 2023 at 1:00 p.m.

16. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Poole pointed out there was a new column added to right on the Budget to Actuals report for 2023 forecasts which is based off revenue of 12,700 acre feet as reflected on the five-year demand report. Mr. Nelson asked for the calculating method utilized to determine the forecasts. Ms. Largent explained seasonality along with both revenues and expenses were taken into consideration. Discussion followed.

Mr. Stewart stated it was noteworthy to mention staff has been very cautious when predicting revenues and water sales which kept RMWD in good standing order regardless of receiving 39” of rain recently.

Mr. Nelson commented on the systems demand comparison chart not looking very good. Ms. Poole explained the green was hard to measure off of because it was a matter of taking the budget and dividing it over twelve months.

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

It was noted a budget review will be on the next committee agenda.

18. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:17 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary