

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 10, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on October 10, 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 Townsend-Smith, Alternate Williams (*via video conference*).

Also Present: General Manager Wiley, Executive Assistant Washburn, Finance Manager Largent, Operations Manager Gutierrez, Information Technology Manager Khattab.

Absent: Member Hensley, Member Stewart.

Also Present Via Teleconference or Video Conference:

Administrative Services Manager Harp, Grant Specialist Kim,
Construction and Meters Supervisor Lagunas.

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**

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)**

There were no amendments to the agenda.

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

There were no comments.

***8. APPROVAL OF MINUTES**
A. July 11, 2023

Motion:

To approve the minutes

Approve, Moved by Alternate Williams, Seconded by Member Townsend-Smith.

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

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent : Member Hensley, Member Stewart.

9. INTRODUCTION OF NEW GENERAL MANAGER AND GENERAL MANAGER COMMENTS

Jake Wiley introduced himself to the members as well as provided updates on the upcoming November 7th elections including some of the administrative tasks that must be completed as part of the election process. He also mentioned there may be an opportunity to refine the planning for RMWD's pipeline replacement and improvement program, especially now that there is five more years of data.

Ms. Largent stated some staff members looked at a software demonstration that assists with determining which replacements should take place first using the assessment. She expressed an interest in getting this software for the engineering department.

10. FINANCE MANAGER COMMENTS

Ms. Largent reported although the audit was more involved this year than in the past, nothing more was found. She noted the results will be presented to the committee in November and to the Board in December.

11. COMMITTEE MEMBER COMMENTS

Mr. Williams shared some benefits of the software Ms. Largent mentioned earlier and how it will assist in getting the replacement projects back on track.

Mr. Nelson stated when RMWD was evaluating the groundwater project, there was a clear indication that no matter how much grant funding received, RMWD would need to come up with millions and millions of dollars on its own. He said the fact that RMWD was contemplating being able to raise that much money for a project for which it walked away from led him to think about the opportunity costs in terms of whether this amount of money could be raised to address aging infrastructure.

Ms. Largent noted she did not feel confident RMWD has the ability to get the millions of dollars of funding for the groundwater study project at this time. She said possibly maybe in 2-3 years, it may be possible to get funding to put towards catching up on pipeline replacement projects.

Mr. Wiley stated with the groundwater study project shelved, engineering will now focus on the pipeline replacement program including researching grant opportunities. He pointed out although some of the benefits were received from the groundwater study project, it was not a top priority.

***12. CASH RESERVE POLICY 5.03.220 COMPLIANCE REPORT**

Ms. Largent shared a presentation titled “Cash Reserve Balance & Mid Year Budget Preview”. She noted some of the successes and challenges. She reviewed the cash balances by fund, target reserves, as well as the operating and debt service fund balances. She presented information related to the water operating budget, noting the budget adjustments presented allow for the plan to keep the \$3M transfer from operating the capital which is really important for funding the capital plan.

Ms. Largent shared information related to wastewater capital fund project budgets, fund balances, as well as wastewater operating and capital fund balances. She presented details related to water capital project budgets and water capital fund balance projections.

Ms. Largent provided information related to the water capital budget, especially details related to the detachment including \$7M annual savings estimate in cost of water not factored into projections due to it being unknown when the savings will begin as well as the \$15,789,150 detachment payment paid over five years at \$3,157,830 per year. She talked about the water capital budget including debt options for \$20M.

Mr. Nelson referenced the wholesale water efficiency capital project budgets that were presented to the committee in May 2023 and how he noticed several projects were missing. Ms. Largent explained only the projects that had either an approved or adjusted budget were included in the list for this fiscal year in today’s presentation. She pointed out the projects to which he was referring were still part of the finance packet provided in the agenda packet.

Mr. Nelson stated RMWD borrowed money to prosecute these projects; therefore, he wanted to know if these are not being prosecuted in the near term, was the money borrowed money going to be used for other projects. Ms. Largent confirmed this was the case due to some water capital projects going over budget that were indirectly identified. Mr. Williams explained that when projects were reassessed more recently in terms of wholesale water efficiency, some were put on definite hold and others were deemed not ones that must be done; therefore, reallocations took place. Ms. Largent confirmed the bank did not tie the loan to specific projects; however, RMWD was able to prove where the funds were spent.

Discussion ensued.

***13. DISCUSSION AND POSSIBLE ACTION TO APPROVE A BILL ADJUSTMENT FOR ACCOUNT 018412-000 FOR AMOUNT OF TIME A CONSTRUCTION METER WAS NOT BEING USED FROM OCTOBER 2022 TO PRESENT AND WAIVE LATE FEES (Division 3)**

Ms. Largent explained this was for a construction meter which the customer had not used from September 2022 to current; therefore, it seemed reasonable to credit them the monthly charge and late fees for this period of time. She stated since staff does not have the authority to issue this credit, this item was being brought to the committee for a recommendation for Board approval.

Mr. Nelson stated he noticed from the meter reads the last time there was significant use on this meet was in June 2022; therefore, would the credit go back to June as opposed to September. Ms. Largent explained since there was some intermittent usage between June and September, the credit would only go back to September. Ms. Townsend-Smith inquired as to whether the credit should go back to June. Ms. Largent said she would look at this again and make any adjustments to the Board report if deemed appropriate. Discussion followed.

Motion:

To support staff recommendation Option 3 - Provide other direction to staff with the view that the committee is generally supportive of the credit but recommends reviewing the start date utilized for calculating the credit amount.

Action: Approve, Moved by Member Nelson, Seconded by Member Townsend-Smith.

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

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent : Member Hensley, Member Stewart.

***14. DISCUSSION AND POSSIBLE ACTION FOR A VARIANCE REQUEST FOR CUSTOMER CREDIT FOR THE DIFFERENCE IN ACCOUNT CLASS RATES FROM SEPTEMBER 2020 TO NOVEMBER 2022 (Division 2)**

Ms. Largent explained this customer request that RMWD retroactively change and credit them for a customer classification change from agriculture to single-family residential. She pointed out this matter has come before the committee and Board that has not been approved in the past to avoid setting a precedence where any customer could seek credits for changing something from the past. She stated she listened to recorded calls to determine if the customer had specifically requested a classification change and only found calls related to leaks on their property as well as operation and maintenance changes. She noted staff were very helpful in assisting the customer with their questions, including recommending a meter downsize option to which the customer replied they were uncertain as to what they were going to do with the property. Discussion followed regarding the options provided to the customer.

Motion:

To recommend the Board approved Staff Recommendation Option 2 – Deny the variance request.

Action: Approve, Moved by Alternate Williams, Seconded by Member Nelson.

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

Ayes: Member Nelson, Member Townsend-Smith, Alternate Williams.

Absent: Member Hensley, Member Stewart.

15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Largent pointed out the packet provided contains the details of the potential changes for capital reviewed during the earlier presentation. She noted the sales were significantly lower than the lowest in the past four years; approximately 30%.

Discussion ensued regarding Attachment E of the finance packet.

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

It was noted that the audit, as well as updates on water sales and rehabilitation and replacement planning should be on the next committee meeting agenda.

17. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:03 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary