MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
MAY 26, 2026

1. **CALL TO ORDER -** The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on May 26, 2026, was called to order by President Hamilton at 1:00 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Hamilton presided.

2. **ROLL CALL:**

Present: Directors Hamilton, Mack, Irvine, Hoffman, Townsend-Smith (arrived at 1:03 p.m.)

Also Present: General Manager Wiley, Legal Counsel Smith, Administrative Services Manager Harp, Information Technology Manager Khattab, District Secretary Quintanar, Administrative Analyst Weber, Chief Operations Manager Gutierrez, Finance Manager Shilkov, Engineering & CIP Manager Williams, Safety and Risk Management Officer Johnson, Purchasing and Inventory Control Specialist Daugherty, Human Resources Specialist Ramirez

Also Present in Person, Via Teleconference or Video Conference: Sr. Project Manager Tamimi, Administrative Analysts Barrow and Montano, Anthony Herda, Trent Brudin – ERSC, Julie Johnson, Scott Manno - Rogers Anderson Malody & Scott LLP (RAMS), Sirisha Nerella, Jeff Woldhuis, and Nancy Rorabaugh- Opterra Energy Services, Michael Miller

3. **PLEDGE OF ALLEGIANCE**

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

There were none.

5. **APPROVAL OF THE AGENDA**

Motion: To approve the Agenda as presented.
Action: Approve, Moved by Director Mack, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 4)
Ayes: Directors Hamilton, Mack, Hoffman, and Irvine

6. **PUBLIC COMMENT**

Julie Johnson commented on the two-year budget and relayed her appreciation for the District's leadership and staff for efforts to maximize resources and keep water rates down. She stated that the feedback from ratepayers had been taken seriously and that every small savings helps. She referenced Attachment G of the Financial Statements and commented that Fiscal Year 2025/26 Board reimbursement totals indicate that some Directors have consistently submitted significantly higher reimbursement and compensation claims than others. She encouraged the Board to review its compensation policy, Administrative Code Section 2.03.010.

7. EMPLOYEE RECOGNITIONS

A. Karleen Harp – 10 Years

Mr. Wiley acknowledged Karleen Harp's ten-year milestone with the District, her skills and her role in making the District shine and consistently improve. Mr. Wiley highlighted Ms. Harp's leadership of Human Resources, Safety and Risk Management, and Public Relations. He also noted her commitment to employee development and her contributions as a member of the executive team. President Hamilton added that she has been a tremendous aid to the Board of Directors as well.

8. PUBLIC HEARING

A. Public Hearing to Solicit Public Input on the Draft 2025 Urban Water Management Plan (UWMP) Including Discussion and Consider Adoption of a Resolution Approving the District's Draft 2025 UWMP (UWMP)

President Hamilton opened the public hearing at 1:11 p.m., and opened the hearing to comments. There were no comments from members of the public, staff or Board of Directors. The Public Hearing was closed at 1:14 p.m.

Anthony Herda, with ERSC provided a presentation including information about the compliance requirements, creation of, and administration of the Urban Water Management Plan, which is to be adopted every five years. He explained that minor additions would be added to the Plan after adoption of the public draft. The Plan is comprised of two components; the Urban Water Management Plan and the Water Shortage Contingency Plan.

The draft plans were presented to the Engineering and Operations Committee on May 5, 2026, provided for public review, and a notice of the availability of the Plan was published in the Village News.

Motion: To approve Option 1; Adoption of Resolution No. 2026-06 Adopting the 2025 Urban Water Management Plan (UWMP) with amendments presented at the public hearing and the determination that the action identified herein does not constitute a "project" as defined by CEQA.
Action: Approve, Moved by Director Townsend-Smith, Seconded by Director Irvine
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

9. CONSENT CALENDAR

A. APPROVAL OF:

1. April 28, 2026, Regular Board Meeting Minutes
2. May 5, 2026, Engineering & Operations Committee Meeting Minutes
3. May 12, 2026, Special Board Meeting/Budget Workshop Meeting Minutes
4. May 19, 2026, Communication & Customer Service Committee Meeting Minutes
5. Notice of Completion and Acceptance of the Manual Transfer Switches at Morro Hills, Vallecitos, and Rainbow Hills Pump Stations Project

(Divisions 2 & 5)

Motion: To approve the Consent Calendar, including meeting minutes of April 28, 2026, May 5, 2026, May 12, 2026, and May 19, 2026, Notice of Completion and Acceptance of the Manual Transfer Switches at Morro Hills, Vallecitos, and Rainbow Hills Pump Station Project
Action: Approve, Moved by Director Irvine, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

10. ACTION ITEMS

A. Consider Approval of Award of Contract with Rogers Anderson Malody & Scott LLP (RAMS) for Independent Auditing Services

Finance Manager Shilkov described the bid process, review of bids, and considerations involved in the selection of staff's recommendation. The proposal submitted by Rogers Anderson Malody & Scott LLP (RAMS) was most in alignment with the District's needs. A five-year professional services agreement for independent auditing services was proposed, covering fiscal years ending June 30, 2026 through June 30, 2030. The agreement includes annual financial statement audits, State Controller reporting, support for the preparation and review of the District's Annual Comprehensive Financial Report (ACFR), and the flexibility to renew year by year, adding additional services if needed. The District will save approximately $5,510 per year compared to the current auditor, LSL's proposal, over the next five years. Over the five-year period, the total cost savings would be approximately $26,810.

Motion: To approve Option 1, a Professional Services Agreement with RAMS for independent auditing services for fiscal years ending June 30, 2026- June 30, 2030, subject to final contract negotiations and approval as to form by legal counsel, and renewable on an annual basis
Action: Approve, Moved by Director Irvine, Seconded by Director Hoffman
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

B. Consider Adoption of a Resolution Approving a Successor Memorandum of Understanding Between the Rainbow Municipal Water District and the Rainbow Association of Supervisors and Confidential Employees

Administrative Services Manager Harp explained that this is one of two Memorandum of Understandings (MOU) presented, and the negotiation process began in February. Both bargaining units voted and approved the amendments last week. The proposed successor MOU covers the period of July 1, 2026, through June 30, 2031. Ms. Harp highlighted the changes incorporated into the draft presented.

Motion: To adopt Resolution No. 2026-07, Approving a Successor Memorandum of Understanding Between the Rainbow Municipal Water District and the Rainbow Association of Supervisors and Confidential Employees
Action: Approve, Moved by Director Townsend-Smith, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

C. Consider Adoption of a Resolution Approving a Successor Memorandum of Understanding Between the Rainbow Municipal Water District and the Rainbow Employees' Association

Administrative Services Manager Harp explained that all of the terms are identical to the RASCE MOU.

Motion: To Adopt Resolution No. 2026-08, Approving a Successor Memorandum of Understanding Between the Rainbow Municipal Water District and the Rainbow Employees' Association
Action: Approve, Moved by Director Townsend-Smith, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

D. Consider Adoption of a Resolution Adopting the Fiscal Year 2026/27 and Fiscal Year 2027/28 Budgets

General Manager Wiley acknowledged staff's efforts to compile the two-year budget and provided background on the budget review process to date. Finance Manager Shilkov explained the cost drivers, assumptions, considerations, and challenges. Several internal cost savings measures were identified and implemented as part of the process.

In response to the Board's concerns and requests, staff reviewed the fixed and variable fees to find a solution that balances affordability for customers and preserves an appropriate cost-recovery structure. Several options were presented, with the preferred being to increase variable rates by 5% and fixed rates by 2.9% effective January 1, 2027, and to increase variable rates by 5% and fixed rates by 3.8% effective January 1, 2028. This option reflected a limited pass-through approach tied primarily to increased wholesale water costs. It reduces the District's overall effective water rate increase to approximately 4%. Staff believes this option strikes an appropriate balance between limiting customer impacts, maintaining a reasonable relationship between fixed and variable cost recovery, continuing to promote modest reserve recovery, placing higher reliance on water sales, and being solidly within the framework of the 2023 Cost-of-Service Study. This includes absorbing the 6.2% increase from MWD, with the help of lower water purchase costs through Eastern Municipal Water District (EMWD). There was no recommendation to change the Wastewater Rate increases previously approved. It was noted that the Fixed Water Rates have not changed for 30 months, and are now only increasing by a small amount. Discussion ensued.

Motion: To approve Option 2: Adoption of Resolution No. 2026-09 approving the Fiscal Year 2026/27 and Fiscal Year 2027/28 Budgets, including the operating, non-operating, debt service, reserve, and capital improvement components, and proposed water rate adjustments.
Action: Approve, Moved by Director Townsend-Smith, Seconded by Director Hoffman
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

E. Consider Adoption of an Ordinance Authorizing Amendment to Section 3.01.010 – Regular Meetings

Mr. Wiley explained that by adding the wording to the Administrative Code, closed session matters can be attended to prior to the established 1:00 p.m. Regular Meeting start time for the public portion of agendas, providing additional flexibility while limiting inconvenience to members of the public attending.

Motion: To Adopt Ordinance No. 26-07, authorizing amendment to Section 3.01.010 of the Administrative Code- Regular Meetings
Action: Approve, Moved by Director Irvine, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

F. Consider Approval of a Policy for Credit Card Processing Service Fees and Adoption of an Ordinance Authorizing Amendment to Administrative Code Sections 8.12.0.0 and 9.02.270

Mr. Wiley explained that the District incurred credit card processing fees associated with 36,991 credit card transactions in 2025 totalling approximately $8,228 per month and approximately $2.67 per credit card transaction. In the current FY 2026, costs have increased to an average of $11,876 per month, or approximately $142,512 per fiscal year. Continuing to absorb these costs requires all customers to subsidize an optional payment method used only by customers who elect to pay by credit card. Staff recommended adoption of a policy authorizing the District to discontinue absorbing credit card processing fees and implement a 2.95% credit card processing service fee for customers who elect to pay utility bills by credit card, effective August 3, 2026. Customers will be notified well in advance, via multiple methods.

Motion: To adopt Ordinance No. 26-08, authorizing amendment to Sections 8.12.020 – 9.02.270 of the Administrative Code
Action: Approve, Moved by Director Irvine, Seconded by Director Hamilton
Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Mack, Townsend-Smith, Hoffman, and Irvine

11. PRESENTATION

A. Review the Opterra Energy Services Proposed Projects

Nancy Rorabaugh explained that revisions to the presentation had been made since providing it to the District. She stated that the goal of the Opterra team is to find a comprehensive energy program that pays for itself, reduce staff time, and provide all of the services from design to permitting, and implementation. Through ongoing work with staff to determine what best fits the needs, a program was developed that she believes addresses the District's operational and financial objectives. The timing proposed includes a presentation to the Board and staff prior to the June 23, 2026 Regular Board meeting, so the Board can hear all of the details and pose questions, then to return for consideration of approval at the June Board Meeting. Should the Board choose to approve the contract at that time, a "safe harbor" for the Inflation Reduction Act funding could be secured. Project completion would be estimated to be in the first quarter of 2028. There are various options for solar and other suggested elements to consider.

Mr. Wiley explained that ongoing review, conversations and refinements have been made and a solution for financing the work without jeopardizing the District's badly needed capital improvements is essential.

In regard to financial risks, Ms. Rorabaugh stated that Opterra Energy Services is so confident in the receipt of Inflation Reduction Act funding that Opterra will assume a risk of up to $1.6M, should the funding not be awarded.

Brief discussion ensued, concerning application of power produced, location of facilities, break even timeframes, long-term savings, and product guarantees. A third-party was utilized to review and validate the proposal, with favorable review. More detail will be presented at a Special Board Meeting to be called on June 9, 2026.

12. INFORMATION ITEMS

There were no questions.

13. REPORTS & COMMENTS

Mr. Wiley reported that there was an increase in State Water Project allocation from 30-45%. Every 5% is equivalent to 100,000 acre feet that Metropolitan Water District (MWD) can purchase from the State Water Project. MWD will be storing water for the third straight year. Lake Oroville is 98% full, and Lake Shasta and the Diamond Valley Reservoir are full. The upper and lower basin states have been unable to reach an agreement on curtailment and an operation plan beyond October of this year, despite the lower states offering significant cuts. There is concern for the impacts on power generation and impacts to MWD.

He continued that locally, discussions and progress continues regarding a program for agricultural customers, similar to CropSWAP, to be funded by MWD under their water savings program.

Some hurdles have been experienced by staff with efforts to develop a Low Income assistance program for our Customers. SDG&E is not willing to share information on their qualifying customers. Efforts continue on how to implement a program in the most efficient and convenient way for our customers.

Legal Counsel Smith summarized the memorandum included in the meeting packet regarding the California Supreme Court's ruling clarifying the scope of records-retention obligations and declaratory-relief rights under the California Public Records Act (CPRA).

Director Irvine extended his appreciation for Karleen Harp's expertise. Director Townsend-Smith inquired about the Village News Press Release regarding recent fires, and complimented staff for the diligent work being done with Opterra Energy Services. Director Hoffman commented on her recent attendance of the WEF Bay Delta Tour. There was an abundance of information relayed, which she will share with the Board and staff in the future.

President Hamilton reported on his attendance of the CSDA Chapter Dinner Meeting and discussion topics.

Mr. Wiley reported that LAFCO recently "shelved" the draft Municipal Service Review (MSR) for the San Diego County Water Authority (SDCWA) for four years. The SDCWA has not yet announced its planned rate increase.

An EMWD Ad hoc meeting was held this month, where MWD rates and efforts on a program similar to CropSWAP was discussed. EMWD's MWD representative, Phil Paule submitted a letter on behalf of our joint agency efforts requesting MWD's consideration to resurrect the Interruptible Discount Ag Rate.

Director Mack reported on his attendance of the ACWA JPIA Summit and ACWA Conference. During the JPIA session, Rainbow Water was awarded recognition for its Safety Management System, which is a cloud-based software for centralizing, finding, and tracking information that is accessible by field staff on mobile devices. He also reported on drought theories shared by ACWA Conference speakers.

14. REQUESTS TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

There were none requested.

15. SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING

The Board's compensation policy will be reviewed, as well as additional information related to energy projects proposed by Opterra Energy Services.

16. CLOSED SESSION

The Board and appropriate staff adjourned to closed session at 3:10 p.m. to discuss:

A. CONFERENCE WITH LEGAL COUNSEL – Anticipated Litigation Significant Exposure to Litigation Pursuant to Government Code section 54956.9(d)(2) (1 case)

B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Gov. Code Section 54956.8) Property: APNs 127-071-05 and 127-071-06, Agency Negotiator Jake Wiley, Negotiating Party: Don Dabbs, Under Negotiation: Price

The Board reconvened to open session at 3:40 p.m. There was no reportable action taken.

17. ADJOURNMENT - The meeting was adjourned at 3:41 p.m., to a regular meeting on June 23, 2026, at 1:00 p.m.

C H Hamilton, III

Hayden Hamilton, Board President

Terese Quintanar

Terese Quintanar, District Secretary