



TO PARTICIPATE IN THE MEETING VIA VIDEO OR TELECONFERENCE, GO TO <https://rainbowmwd.zoom.us/j/81793411953> OR CALL 1-669-900-6833 or 1-669-444-9171 or 1-309-205-3325 or 1-312-626-6799 or 1-564-217-2000 or 1-689-278-1000 (WEBINAR/MEETING ID: 817 9341 1953).

MEMBERS OF THE PUBLIC WISHING TO SUBMIT WRITTEN COMMENT TO THE COMMITTEE UNDER PUBLIC COMMENT OR ON A SPECIFIC AGENDA ITEM MAY SUBMIT COMMENTS TO OUR BOARD SECRETARY BY EMAIL AT [DWASHBURN@RAINBOWMWD.COM](mailto:DWASHBURN@RAINBOWMWD.COM) OR BY MAIL TO 3707 OLD HIGHWAY 395, FALLBROOK, CA 92028. ALL WRITTEN COMMENTS RECEIVED **AT LEAST ONE HOUR IN ADVANCE OF THE MEETING** WILL BE READ TO THE COMMITTEE DURING THE APPROPRIATE PORTION OF THE MEETING. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT'S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

### BUDGET AND FINANCE COMMITTEE MEETING

**RAINBOW MUNICIPAL WATER DISTRICT**  
**Tuesday, October 10, 2023**  
**Budget and Finance Committee Meeting - Time: 1:00 p.m.**

---

<b>District Office</b>	<b>3707 Old Highway 395</b>	<b>Fallbrook, CA 92028</b>
------------------------	-----------------------------	----------------------------

---

Notice is hereby given that the Budget and Finance Committee will be holding a regular meeting beginning at 1:00 p.m. on Tuesday, October 10, 2023.

---

#### AGENDA

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL: Flint Nelson (Chair) \_\_\_\_\_ Bill Stewart (Vice Chair) \_\_\_\_\_**  
**Members:** Peter Hensley \_\_\_\_\_ Patti Townsend-Smith \_\_\_\_\_  
**Alternates:** Chad Williams \_\_\_\_\_
- 4. INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

**CHAIR TO READ ALOUD** - "If at any point, anyone would like to ask a question or make a comment and have joined this meeting with their computer, they can click on the "Raise Hand" button located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.

Those who have joined by dialing a number on their telephone, will need to press \*6 to unmute themselves and then \*9 to alert us that they would like to speak.

A slight pause will also be offered at the conclusion of each agenda item discussion to allow public members an opportunity to make comments or ask questions."

5. SEATING OF ALTERNATES
6. ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)
7. PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA (Limit 3 Minutes)
- \*8. APPROVAL OF MINUTES
  - A. July 11, 2023
9. INTRODUCTION OF NEW GENERAL MANAGER AND GENERAL MANAGER COMMENTS
10. FINANCE MANAGER COMMENTS
11. COMMITTEE MEMBER COMMENTS
- \*12. CASH RESERVE POLICY 5.03.220 COMPLIANCE REPORT
- \*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)
- \*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)
15. REVIEW OF THE MONTHLY BOARD FINANCE PACKET
16. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED BUDGET AND FINANCE COMMITTEE MEETING
17. ADJOURNMENT

**ATTEST TO POSTING:**

  
\_\_\_\_\_  
Julie Johnson  
Secretary of the Board

10-5-23 @ 12:45 p.m.  
\_\_\_\_\_  
Date and Time of Posting  
Outside Display Cases

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

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on July 11, 2023, by Chairperson Nelson at 1:01 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 Townsend-Smith, Member Hensley, Member Nelson, Member Stewart.

**Also Present:** Executive Assistant Washburn, Information Technology Manager Khattab, Accounting Supervisor Poole, Finance Manager Largent, Operations Manager Gutierrez.

**Also Present Via Teleconference or Video Conference:**

General Manager Kennedy, Alternate Williams, 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**

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**

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.

**\*8. APPROVAL OF MINUTES**  
**A. June 13, 2023**

**Motion:**

**To approve the minutes.**

**Action: Approve, Moved by Member Stewart, Seconded by Member Hensley.**

**Vote: Motion carried by unanimous vote (summary: Ayes = 4).**

**Ayes: Member Hensley, Member Nelson, Member Stewart, Member Townsend-Smith.**

**9. GENERAL MANAGER COMMENTS**

Mr. Kennedy reported SDCWA was holding a board meeting on July 13, 2023 to discuss preparing to sue LAFCO as well as the analysis of their water purchase agreements.

**10. FINANCE MANAGER COMMENTS**

Ms. Largent stated the staff is currently working on the year-end processes as well as apologized for the delay in providing this month's financial packet. She explained the financial reporting module not working over the past week.

**11. COMMITTEE MEMBER COMMENTS**

Mr. Stewart said he found the proposed amendment made by one of the Commissioners at LAFCO's July 10, 2023, public hearing very interesting. He stated although it was decided to make the terms of the amendment a separate item at a future LAFCO meeting, it was related to SDCWA's Municipal Service Review. He noted even though he was surprised this matter came up at this hearing, he was not surprised there seemed to be LAFCO support for such.

**12. WASTEWATER LOAN UPDATE**

Ms. Largent explained the handout provided was the official board action letter based on the Request for Proposal staff put out for financing for finishing up the Thoroughbred Lift Station. She noted the wastewater reserve funds were identified as being low by the end of this project; therefore, staff wants to be sure to keep them up at the board-approved minimal levels. She noted the Request for Proposal was presented to ten different financial institutions to try to get them to submit proposals. She said of the ones received, the institution with the lowest rate was First American/City National Bank who does leases for different utilities in the local area as well as does not require deposits to be kept on-hand at the bank.

Ms. Largent stated the staff was seeking a recommendation from the committee that the Board authorize Mr. Kennedy to execute the loan for \$5M for ten years. She pointed out RMWD can lock in the rate without committing the loan until it is approved by the Board which would be 5.49%; however, this rate could fluctuate a little based on the index fund.

Mr. Stewart asked whether RMWD has a horizon for paying this loan back short of the term. Ms. Largent stated there are no prepayment penalty fees; therefore, it will be reviewed as part of the budget process each year to determine whether paying it off would be the best option.

***DRAFT***

***DRAFT***

***DRAFT***

Mr. Nelson inquired as to whether this was a collateralized loan. Ms. Largent confirmed it was and that a portion of the Thoroughbred Lift Station was being used as collateral. Mr. Nelson asked if the loan would be written in such a way that it clearly says that the collateral value declines as the loan is repaid and that RMWD was only obligated for the remaining balance of the loan. Ms. Largent said should RMWD pay the loan back early, they would take the net present value of the loan and calculate that out. She pointed out this would be the only wastewater financing RMWD would have in place.

Mr. Hensley asked about the second choice. Ms. Largent said her second choice would be Western Alliance; however, they may require RMWD to have the deposits on file with their institution as well as had a higher interest rate.

***Motion:***

***To accept the proposal.***

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

***Vote: Motion carried by unanimous vote (summary: Ayes = 4).***

***Ayes: Member Hensley, Member Nelson, Member Stewart, Member Townsend-Smith.***

### **13. DETACHMENT UPDATE**

Mr. Kennedy reported LAFCO voted 5-3 to approve the detachment with an exit fee at their July 10, 2023, public hearing. He noted the next phase will be the 30-day period where any party can request a reconsideration; however, to do so would require some new topic or information that LAFCO has not already received or reviewed. He stated after the 30 days lapses, steps will be taken to determine whether the elections will take place.

Mr. Kennedy reiterated SDCWA will have a meeting during which time they will seek approval to sue LAFCO based on CEQA processes; however, this has already been discussed and determined that an issue does not exist related to CEQA. He pointed out SDCWA had an item on their agenda to get authority to initiate litigation last month; however, enough other members of the board left the Closed Session resulting in a lack of a quorum preventing action from being taken.

Mr. Kennedy thanked all the Board, staff, and committee members for their tireless work on the detachment efforts. Mr. Nelson commended Mr. Kennedy for leading this charge and being successful in doing so. Mr. Stewart echoed Mr. Nelson's comments to Mr. Kennedy as well as Mr. Bebee.

Mr. Hensley asked if the exit fees will be problematic when water sales are decreasing. Ms. Largent stated she has updated the CY24 savings and found it will be approximately \$9.6M; therefore, after the annual payment to SDCWA, there will still be significant savings. Mr. Stewart noted there was also a credit issued in the amount of approximately \$40M for projects which both RMWD and FPUD contributed to that were never undertaken by SDCWA.

Ms. Townsend-Smith inquired as to whether RMWD was safe from litigation. Mr. Kennedy clarified the only action SDCWA can take would be to sue LAFCO because the opportunity to sue RMWD or FPUD has expired. Ms. Townsend-Smith asked if this would cause the detachment to be delayed. Mr. Kennedy stated it would depend on whether the court puts a stay on the proceedings until the matter is resolved; however, RMWD and FPUD will resist this type of action.

**DRAFT**

**DRAFT**

**DRAFT**

He also noted that should SDCWA bring up the matter of the exit fee, RMWD and FPUD will work with the court to make the exit fees brought to zero.

**14. REVIEW OF THE MONTHLY BOARD FINANCE PACKET**

Ms. Poole reported RWMD ended FY23 with just under 12,000-acre feet in sales, which is lower than originally budgeted. She noted the budget to actuals are preliminary and non-audited numbers due to the need to complete several journal entries. She also expressed appreciation to the customer service team for reducing the average monthly call volume.

Mr. Nelson inquired about the change in net position to be in the positive per Attachment A. Ms. Largent explained there will be some expenses that will be accrued back. She reiterated Ms. Poole's comments noting these numbers are preliminary.

Mr. Stewart stated he recalled RMWD was right on mid-fiscal year. He asked if the trend changes due to the winter months being rainy. Ms. Poole explained RMWD was in line with FY22 purchases in December; however, sales have remained low for several months. Discussion followed.

Mr. Nelson referenced Pages 2 and 4 of Attachment A as he asked for assistance in reconciling the different categories provided. Ms. Largent explained Page 2 was for water operating and Page 4 was wastewater operating. Discussion ensued.

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

There were no items suggested; therefore, it was decided there may not be a need to meet in August.

**16. ADJOURNMENT**

*The meeting was adjourned by Chairperson Nelson.*

The meeting adjourned at 1:34 p.m.

---

**Flint Nelson, Committee Chairperson**

---

**Dawn M. Washburn, Board Secretary**

**BOARD OF DIRECTORS**

October 24, 2023

**SUBJECT**

CASH RESERVE POLICY 5.03.220 COMPLIANCE REPORT

**DESCRIPTION**

Reserve balances have been adjusted to comply with the Board Cash Reserve Policy 5.03.220 and the Cost-of-Service Study adopted June 27, 2023. Balances for each are listed below. Reserves are defined differently by agencies. For the District, reserves are categorized by fund to indicate the intended use and include cash and investments only. The District uses the simple method of defining reserves, as the policy does not include a definition. Staff will present alternative reserve definitions when the policy is updated.

Cash Balance by Fund as of June 30, 2023

Fund #	Fund Description	Water	Wastewater	Total
1	Water Operating Reserve	\$ 6,470,643	\$ -	\$ 6,470,643
2	Wastewater Operating		692,556	692,556
3	General Fund Operating	1,210,201	283,874	1,494,076
5	Water Rate Stabilization Reserve			
10	Grant Fund (not used)	59,147		59,147
26	New Water Sources Reserve	1,432,256		1,432,256
38	Debt Service-Morro	487,942		487,942
39	Debt Service-Beck	368,190		368,190
52 & 53	Wastewater Capital Replacement & Expansion Reserve	1,594,885		1,594,885
60 & 62	Water Capital & Wholesale Water Efficiency	5,397,943		5,397,943
	<b>Total</b>	<b>\$ 17,021,208</b>	<b>\$ 976,430</b>	<b>\$ 17,997,638</b>
	Liability Insurance Reserve			\$ 100,000

Prudent reserves allow for balanced budgets, emergency preparedness, stable rates for customers, well-maintained infrastructure, investing for future needs, meeting future obligations, accessing financing, and addressing volatility and uncertainty. The objective of the District is to build adequate reserves over time to help stabilize the District's finances and position it to easily absorb economic downturns or unforeseen operating and capital needs. Without adequate reserves, the District would be left in a reactive financial position that puts at risk our core mission of providing our customers with reliable, high-quality water and water reclamation services in a sustainable manner. The District has a well-defined reserve policy to avoid this issue. The reserve balances are used to forecast funding levels and rates five years out and ensure the District can meet its short and long-term obligations.

At the end of each fiscal year, compliance with the Reserve Policy is reported to the District's Board of Directors. This is done once the year end financials and audit are completed. As part of this process, the finance department adjusts the operating funds to their required levels, moving any planned transfers or excess to the rate stabilization and capital funds. Once funds are moved, the five-year fund balance projections are updated for use in the mid-year and following year budget process.

The Budget and Finance Committee has reviewed the balances of these funds.

### **Pooled Cash**

When analyzing Fund Cash balances, it is important to remember that the District utilizes pooled cash. This means funds do not have separate bank accounts, so any movement of cash between funds is strictly an accounting journal entry and does not require a transfer between bank cash accounts. The total cash in all District cash bank accounts is **\$17,997,638** as of the start of FY 23/24 compared to \$20,889,567 for the prior FY 22/23. The Cash Flow statement that will accompany the audited financial statements will have a full description of the changes associated with the change in cash balances.

### **Operating Reserves**

Water, Wastewater, and General Fund Operating Reserve cash balances have been adjusted to the minimum required level equal to two months of operating expenses. These balances are \$6,470,643, \$692,556, and \$1,494,076. The operating reserve balances are set based on two months of operating expenses, not including depreciation. The balances are relatively unchanged from year to year due to the somewhat stable nature of the operating revenues and expenses. However, in prior years, the balance was set to two months of operating expenses excluding the cost of water. This is not an adequate operating reserve balance and was changed to include the cost of water when the Cost-of-Service study was adopted in June 2023.

The GFOA recommends 90 days of operating expenditures as a minimum in an operating reserve. This is an area of the policy that staff will bring to the committee and board for amendment. The Cost-of-Service study adopted in June 2023 set the operating reserve minimum of 60 days of operating expenses and the ideal target to 90 days of operating expenses. The current Cost-of-Service study set rate recommendations that will replenish operating reserves to the ideal target level over the five-year planning period.

### **Capital Reserves**

The Capital Reserve policy does not state a minimum reserve level. Industry standard is a minimum reserve level equal to 1 year of the five-year average capital expense budget and an ideal target of 2 years of the five-year average capital expense budget. The current Cost-of-Service study set rate recommendations that will replenish capital reserves to the ideal target level over the five-year planning period.

The **Water & Wholesale Water Capital Fund** minimum target is \$6,892,343 and the ideal target is \$13,784,686. The current balance of \$5,397,943 includes the funds previously held in the Rate Stabilization Fund.

The **Wastewater Capital Replacement and Expansion Reserve Funds** have a combined cash balance of \$1,594,885. However, developer funds were received just after the close of the FY in the amount of \$2,500,000.

The **Water Rate Stabilization Reserve Fund** has a zero balance. The policy target level is to maintain a balance of 10% of the annual water revenues, which is approximately \$4M. Funding the rate reserve fund was factored into the Cost-of-Service study and rates adopted in June 2023 and will be replenished in years 3-5 of the five-year period to reach the desired balance.



The **New Water Sources** fund has a balance of \$1,432,256. This fund sets aside funds to study and acquire alternate water sources for the purpose of reducing the District's reliance on imported water. The reserve is funded by a portion of the property tax revenues. These funds are being used on the San Luis Rey Imported Return Flow Recovery project (600003).

**Debt Service** reserves are held in each fund in restricted cash accounts and are equal to the debt due within the current year. The balance in the Debt Service funds is \$856,132 for the Beck and Morro obligations.

**Liability Self Insurance** reserve is set at \$100,000.

**Attachments:**

Attachment A Cash Reserve Policy 5.03.220



Tracy Largent, CPA  
Finance Manager

October 24, 2023

DRAFT



## **Section 5.03.220 Cash Reserves Policy**

### **5.03.220.01 - Purpose**

The purpose of the RMWD Reserve Policy is to ensure that the District will, at all times, have sufficient funding available to meet the operating, capital and debt service cost obligations. Reserves will be managed in a manner that allows the District to fund costs consistent with its Capital Improvement Program and Water and Wastewater Master Plans while avoiding significant rate fluctuations due to changes in cash flow requirements. Adequate reserves and sound financial policies promote RMWD's bond ratings in the capital markets, provide financing flexibility, avoid potentially restrictive debt covenants, and ensure the District's customers of stable rates. The reserve policy shall cover all reserve funds of the District. The Budget and Finance Committee will review the balances of these funds annually to recommend any change in priorities for excess funds. At the end of each fiscal year, compliance with the Reserve Policy will be reported to the District's Board of Directors. In the event of a deficit situation, funds will be used from the rate stabilization first, followed by capital replacement.

### **5.03.220.02 - Operating Reserves**

Rainbow Municipal Water District shall maintain one Operating Reserve fund in cash and cash equivalents for both the Water and Wastewater operations. The reserve balance shall be limited to two months of budgeted operating expenses as determined by the monthly average of budgeted operating expenses (does not include the cost of water or depreciation). The reserve balance limits shall be determined during the annual budget process.

Operating reserve deficiencies will be funded predominantly by water and sewer user rates and charges. Amounts which exceed operating reserve limits shall be transferred to Capital reserve funds.

### **5.03.220.03 - Capital Reserves**

The District maintains five Capital Reserve Funds: New Water Sources Reserve (Fund 26), Water Capital Projects (Fund 60), Wastewater Replacement (Fund 52), and Wastewater Expansion (Fund 53). The Board took action on 9/7/2005 to discontinue the funding of the Water Replacement and Water Expansion funds and combine those funds into the Water Capital Projects Fund. Capital Reserves will be used to fund infrastructure projects and will be an integral part of the District's capital plan documented in its Capital Budget as well as the Water and Wastewater Master Plans.

Capital Reserves are funded by cash collected from water and sewer capacity charges (new connections). The Capital Reserves receive additional funding from surpluses generated by water and wastewater operations (excess of revenues over expenses before depreciation).

Anticipated Capital reserve deficiencies will be funded by transfers of budgeted surplus which may result from increased rates.

Amounts accumulated in excess of both the Operating Reserve limits and Capital Reserve needs may be used, subject to Board approval and public hearing, to lower rates to curtail increasing trends in the reserve funds.

\\rmwd-b\Main\Administration\Confidential\Administrative Code Working Docs\Board Secretary Administrative Code Working File\Board Admin Code 2005-2006\Cash Reserves Policy 5.03.220.docx\\Amended and Approved 11-19-13 by Ordinance No. 13-08\\Amended and Approved 12-15-15 by Ordinance No. 15-09\\Amended and Approved 4-23-19 by Ordinance No. 19-05

#### **5.03.220.04 - Water Capital Projects Reserve (Fund 60)**

This reserve was created by Board action of 9/7/2005 to combine the Water Replacement and Water Expansion Reserves. Water Capital Projects Reserve is funded by the cash collected for water capacity charges (connections) and by surpluses generated by water operations (excess of revenue over expenses before depreciation). Reserves will be used to fund infrastructure expansion, repairs, rehabilitations, and replacement projects.

#### **5.03.220.05 - Wastewater Replacement Reserve (Fund 52)**

Wastewater Replacement Reserves are funded partially by the cash collected for sewer capacity charges (connections) and partially by excess revenues over expenses before depreciation. The Sewer Allocation Plan determines the portion of the capacity fee that will be used for infrastructure repair, rehabilitations, and replacement projects.

#### **5.03.220.06 - Wastewater Expansion Reserve (Fund 53)**

Wastewater Expansion Reserves are funded by the cash collected for sewer capacity charges (connections). The Sewer Allocation Plan determines the portion of the capacity charge that will be used for infrastructure expansion projects to accommodate new customers.

#### **5.03.220.07 - Liability Self Insurance Reserve (03-00-13104)**

The Liability Self Insurance Reserve is established to pay the self insurance (deductibles) portion of large or excessive liability claims. Board action has set this fund at \$100,000.00. Use of these funds requires approval by the RMWD Board. Reserve deficiencies are determined and replenished annually during the budget process.

#### **5.03.220.08 - Debt Service Reserve**

Debt Service Reserves are established by the Trust Agreement for long-term borrowings. The reserve generally represents one year of principal and interest payments of the debt. The Debt Service Reserve is held and controlled by the Trustee as named in the bond Trust Agreement.

#### **5.03.220.09 - New Water Sources Reserve (Fund 26)**

The New Water Sources Reserve, established by the RMWD Board, sets aside funds to study and acquire alternate water sources for the purpose of reducing the District's reliance on imported water. The reserve is funded by the Water Services portion of the Standby Charge collected by the San Diego County Tax Collector from all parcels within the District.

#### **5.03.220.10 - Water Rate Stabilization Reserve (Fund 05)**

Rainbow Municipal Water District shall maintain one Water Rate Stabilization Reserve equal to 10% of annual water revenues. This reserve shall be established on January 1, 2016 and will be brought to its target balance over a five year period. Funds for this reserve will come from water rates and charges and will be used to mitigate rate impacts from changes in water demand.

\\rmwd-b\Main\Administration\Confidential\Administrative Code Working Docs\Board Secretary Administrative Code Working File\Board Admin Code 2005-2006\Cash Reserves Policy 5.03.220.docx\Amended and Approved 11-19-13 by Ordinance No. 13-08\Amended and Approved 12-15-15 by Ordinance No. 15-09\Amended and Approved 4-23-19 by Ordinance No. 19-05

**BOARD OF DIRECTORS**

October 24, 2023

---

**SUBJECT**

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)

**BACKGROUND**

The owner of APN 123-492-01-00 requested a temporary construction meter for their project, and it was placed on February 22, 2022. The meter registered usage through September 2022. Their account bills were being mailed to their vacant project address rather than their billing address, so they were not receiving the monthly bills.

The owner claims that they called in to the District to have the temporary construction meter removed after a few months of usage. However, District call records were reviewed, and we were unable to confirm this request occurred.

The owner of this parcel has requested a variance to waive the operation and maintenance fees from the time of zero usage as well as the late fees from the start of their account. They stated because of the bills being sent to the project address, they were not aware that the account was still active and were accruing late fees.

**DESCRIPTION**

According to Admin Code Section 8.12.020.04, The District will have the ability to waive one late/delinquent fee upon request by customer within a two-year period, preceding the date of the late bill.

Because they are requesting multiple late fees to be reversed, this does not meet the Administrative Code's criteria.

According to Admin Code Section 8.12.020, All bills for water or for service or materials are due and payable upon receipt. Failure to receive a bill does not relieve a customer of liability for payment.

The customer is claiming that they would like these fees waived because they never received a notice or bill for the amount due, or that the account was still active.

**ATTACHMENTS**

Attachment A – Variance Application  
Attachment B – Monthly Usage

**POLICY/STRATEGIC PLAN KEY FOCUS AREA**

---

Strategic Focus Area Five: Customer Service. This type of agreement allows the Board to fit the requests of an individual customer based on their specific use patterns which fall outside the expectations covered by the existing policy.

**ENVIRONMENTAL**

---

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

**BOARD OPTIONS/FISCAL IMPACTS**

---

If the Board approves the bill adjustment of Operation and Maintenance fees from October 2022 to present, as well as all late fees to be waived, the fiscal impact will be \$4,111.70.

- 1) Approve the variance to issue a billing adjustment credit on the customer’s account of \$4,111.70.
- 2) Deny the request for a billing adjustment.
- 3) Provide other direction to staff.

**STAFF RECOMMENDATION**

---

Staff recommends Option 1.

  
\_\_\_\_\_  
Tracy Largent, CPA  
Finance Manager

October 24, 2023

DRAFT



## ADMINISTRATIVE CODE VARIANCE APPLICATION

PROPERTY OWNER OR PRIMARY ACCOUNT HOLDER INFORMATION		
Owner Name: Muna Rahman	Telephone No.: 760-524-0932	
Address: 4515 Ramona Dr. Fallbrook 92028		
Email Address: apecoengineering@yahoo.com   Munaj.rahman@outlook.com	Account No.:	
LOCATION OF PROPOSED ADMINISTRATIVE CODE VARIANCE		
Address: 4515 Ramona Dr. Fallbrook 92028	APN:	Acres:
SUPPORTING INFORMATION		
Specific section(s) of the Administrative Code for which this variance is being requested ( <i>attach additional pages if needed</i> ):		
Reason why the variance should be approved including how the intent of the Administrative Code will be met ( <i>attach additional pages if necessary</i> ):		
<p>During early 2021 we have applied for a construction meter near our project for the purpose of grading the lot our grading was done early July 2021. We called the district to remove the construction meter, it seems like the meter was not removed until a year after which has led us to be charged the service fee for that time since July 2021. We never received a notice or bill for the accounting being due, or being still active, thus we were not made aware of it running. Now that we have found out early 2023, we have been trying to contest the billing and we have been trying for months to get the extra billings waived. Unfortunately we seem to keep getting a run around. After they advised we fill this form out. Typically when an account gets a no payment status the account/meter gets shut off and in this case it was left running, once again with no notice. In some of the conversations had they were trying to state due to the covid rules of having no one get their water shut off it was left running but that I believe that only applies to homes and commercials. Furthermore, the meter would be able to give all the usage from previous months and when checking you will be able to see there is no usage for months which is not fair to us. We hope that the district can allow this variance for us and waive the fees associated with the meter from since July 2021.</p>		

**Rainbow Municipal Water District (District) Provisions:**

The purpose of a variance is to provide flexibility in application of regulations necessary to achieve the purposes of the Administrative Code. A variance is intended to resolve practical difficulties or unnecessary physical hardships that may result from strict adherence to the policies contained in the Administrative Code. The cost to the applicant of strict adherence with any provision of the Administrative Code shall not be the sole reason for granting a variance. This application is subject to the approval of the District Board of Directors.

I hereby certify that all information provided in this application is true.

Muna Rahman

Owner Signature

09/01/2023

Date

3707 Old Highway 395 • Fallbrook, CA 92028  
Phone: (760) 728-1178 • Fax: (760) 728-2575 • [www.rainbowmwd.com](http://www.rainbowmwd.com)





<b>Reading Date</b>	<b>Reading</b>	<b>Usage</b>
2/22/2022 16:08	95	0
3/14/2022 15:26	95	0
4/18/2022 16:10	222	127
5/16/2022 15:47	331	109
6/16/2022 8:16	381	50
7/18/2022 13:36	382	1
8/9/2022 15:31	382	0
9/14/2022 8:02	383	1
10/12/2022 10:08	383	0
11/9/2022 10:21	383	0
12/13/2022 10:24	383	0
1/10/2023 14:44	383	0
2/9/2023 12:15	383	0
3/2/2023 15:17	383	0



## BOARD OF DIRECTORS

October 24, 2023

---

### SUBJECT

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)

---

### BACKGROUND

In October 2022, customer Shiou Stella Lin contacted the district seeking advice for cost savings. District staff went through available rate options and assisted in having the account changed from Agricultural Domestic to Single Family Residential. Due to the low volume being used, this was a less costly option should the customer continue usage at a lower rate. The customer is now requesting a **retroactive** credit for the difference in operation and maintenance fees between the Agricultural and Single-Family Residential customer class for September 2020 through November 2022.

### DESCRIPTION

The account belonging to Shiou Stella Lin, 802 Del Valle Drive Fallbrook, was changed from Agricultural (AG) to Single Family Residential (SFR) in October 2022, per the customer's request. In the attached letter dated June 23, 2023, the customer asked to be issued credit for the difference in fixed fees for September 2020 through November 2022 of what they estimated to be over \$6,000. The difference in rates between residential and the agriculture rate for that time period would have been \$4,423.52 over the two-year period. When the retroactive credit was requested, District staff told the customer that staff did not have authority to issue a credit in this type of situation. The customer stated no one had asked or told them that multiple rate options were available.

Upon receiving the request, the District researched call logs and listened to calls received dating back to September 2020.

- 10/26/2020 Customer Call-Customer thought they had a leak on the property and asked if the operating and maintenance fee covered maintenance of the pipes on their property. District staff advised that they would need to contact a plumber or contractor. Downsize options were discussed.
- 12/18/2020 Customer Call-Discussion about 9-acre property: customer wanted to know how all the pipes on the property worked, District staff recommended customer contact a plumber and again offered information on downsize.
- 2/8/2021 Customer Call-Customer stated they did not know what they were going to do with their property; didn't know yet if they would become a professional grower. District staff discussed rate options with customer, sent email and form for San Diego County Water Authority Permanent Special Agriculture Water Rate (PSAWR) and discussed deadline for opting into the PSAWR rate class options.
- 2/11/2022 Customer Call-Customer called with a payment question and District staff offered downsize options.

Rate classes are set up at the start of service and are the customer's choice depending on planned use and the level of each individual customer's tolerable restrictions in case of a drought. Customers who do not have an active agricultural use can, and do, choose to stay under the AG rate for various reasons. Some stay on due to future plans to plant, while others prefer the AG classification because this rate class is not subject to as restrictive of water cutbacks during a drought as a non-agriculture (residential) customer. Staff do not review rate class choices with every customer call. The previous owner of this property had high usage and was on the AG rate. The new owner of the 9-acre property stated they had not decided if they would become a professional grower. It is not feasible under current staffing levels nor the District's responsibility to actively monitor exactly how and when a particular customer or property changes use, however District staff is always available to review customer options by request.

Past practice in these situations has been to not grant retroactive credits when customers call to change rate classes.

**ATTACHMENTS**

---

Attachment A- Administrative Code Variance Application  
Attachment B- Administrative Code Variance Letter

**POLICY/STRATEGIC PLAN KEY FOCUS AREA**

---

Strategic Focus Area Five: Customer Service. This type of agreement allows the Board to fit the requests of an individual customer based on their specific use patterns which fall outside the expectations covered by the existing policy.

**ENVIRONMENTAL**

---

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

**BOARD OPTIONS/FISCAL IMPACTS**

---

If the Board approves the variance, Rainbow MWD will credit a total of \$4,423.52 to the customer for the difference in fixed fees for September 2020 through November 2022.

- 1) Approve the variance to credit \$4,423.52, the difference in fixed fees from September 2020 through November 2022.
- 2) Deny the variance request (staff recommendation).
- 3) Provide other direction to staff.

**STAFF RECOMMENDATION**

---

Staff recommends Option 2.



Tracy Largent, CPA  
Finance Manager

October 24, 2023



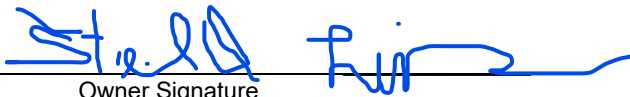
## ADMINISTRATIVE CODE VARIANCE APPLICATION

PROPERTY OWNER OR PRIMARY ACCOUNT HOLDER INFORMATION		
Owner Name:	Telephone No.:	
Address:		
Email Address:	Account No.:	
LOCATION OF PROPOSED ADMINISTRATIVE CODE VARIANCE		
Address:	APN:	Acres:
SUPPORTING INFORMATION		
Specific section(s) of the Administrative Code for which this variance is being requested ( <i>attach additional pages if needed</i> ):		
Reason why the variance should be approved including how the intent of the Administrative Code will be met ( <i>attach additional pages if necessary</i> ):		

Rainbow Municipal Water District (District) Provisions:

The purpose of a variance is to provide flexibility in application of regulations necessary to achieve the purposes of the Administrative Code. A variance is intended to resolve practical difficulties or unnecessary physical hardships that may result from strict adherence to the policies contained in the Administrative Code. The cost to the applicant of strict adherence with any provision of the Administrative Code shall not be the sole reason for granting a variance. This application is subject to the approval of the District Board of Directors.

I hereby certify that all information provided in this application is true.

  
 \_\_\_\_\_  
 Owner Signature

\_\_\_\_\_  
 Date

3707 Old Highway 395 • Fallbrook, CA 92028  
 Phone: (760) 728-1178 • Fax: (760) 728-2575 • [www.rainbowmwd.com](http://www.rainbowmwd.com)



June 23, 2023

BOARD of DIRECTORS

RAINBOW Municipal Water District

RE: Account #016833-000 802 Del Valle Dr. Fallbrook CA 92028

Dear Board of Directors,

Our family moved to Fallbrook in September 2020 and set up a new account with Rainbow since then. Everything in Fallbrook is just like a paradise filled with the natural beauty of trees, groves and hills. To continue preserving the environment, water is important, but the cost continues to rise to more than \$1,000 a month for us, so I called Rainbow last October seeking advice for cost saving. To my surprise, the customer service representative told me for the first time that there are two different rates for the O&M RMWD – agricultural and residential and we have been paying for the agricultural rate since September 2020. It was shocking to me since no one has ever asked or told us that there are two different rates when requesting for new account. My husband and I are the only people living in our residential property with some fruit trees for our own consumption. It is very disappointing that no one from Rainbow has informed and/or verified our water usage status as a new customer before putting us on the agricultural rate. As consumers, we have the right to be informed and the right to choose under the California Consumer Protection Act. If we had known about the existence of the two rates and the difference between agricultural and residential rate, we would absolutely have not chosen to pay for the agricultural rate for more than two years between September 2020 through November 2022. The overpayment during this period is more than six thousand. I am requesting this Board to approve and authorize the reimbursement of the exact amount of overpayment of our water bills due to Rainbow's failure to inform new customers about different rates as well as discussed customer's situation to determine what rate should be applied appropriately.

Thank you for your time and I look forward to hearing from you.

Sincerely,

Shiou Stella Lin

