

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
AUGUST 12, 2025**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on August 12, 2025, by Chairman Nelson at 1:00 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028. Chairman Nelson presided.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Members Nelson, Stewart, Hensley, Wilson, and Townsend-Smith

Also Present: General Manager Wiley, District Secretary Quintanar, Information Technology Manager Khattab, Chief Operations Officer Gutierrez, Finance Manager Shilkov, Administrative Manager Harp, Management Analyst Lan, Engineering and CIP Manager Williams

Present Via

Teleconference or

Video Conference: Risk Management and Safety Officer Johnson, Administrative Assistant Montano, Accounting Specialist Lundell

No members of the public were present in person, via teleconference or video teleconference.

4. **SEATING OF ALTERNATES**

No alternates were seated.

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

No changes were needed.

6. **APPROVAL OF THE AGENDA**

Motion: To approve the Agenda as presented.

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

Vote: Motion carried by unanimous vote (summary: Ayes = 5)

Ayes: Member Nelson, Member Hensley, Member Stewart, Member Wilson, Member Townsend-Smith

7. **PUBLIC COMMENT**

There were none.

8. APPROVAL OF MINUTES

A. July 8, 2025

Motion: To approve the July 8, 2025, minutes as presented.

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

Vote: Motion carried by unanimous vote (summary: Ayes = 5)

Ayes: Member Nelson, Member Hensley, Member Stewart, Member Wilson, Member Townsend-Smith

9. COMMENTS & REQUESTS

- A. General Manager's Comments
- B. Finance Manager's Comments
- C. Committee Member's Comments

General Manager Wiley provided an update on the emergency repair efforts for Pipeline NN, located under Highway 76. Due to the break, which serves the suction side of the Dentre de Lomas Pump Station, the pump station had been operating at reduced capacity. Operations staff, as a temporary measure, installed an above-grade, fully restrained highline pipe through an existing wildlife crossing under Highway 76, and the pump station is now operating at full capacity in time for rising temperatures. A permanent repair plan is being developed, with an RFQ expected within the next few weeks and implementation anticipated in the coming months. In response to Chairman Nelson, Mr. Wiley confirmed the project remains under "emergency" status due to the temporary highline solution, which allows additional time to secure optimal contractor options. In response to Member Townsend-Smith, staff noted that the investigation into the cause of the pipe failure is ongoing.

Mr. Wiley also reported that the last fiscal year ended well for water sales, and with the detachment resulting in lower wholesale water costs, chemical adjustments at Morro Reservoir, and diligent internal expenditure management, the District closed the year at nearly one million dollars under budget. Mr. Wiley relayed kudos to the whole team.

Finance Manager Shilkov reported that the budget book is being prepared for submittal to the GFOA for an award. They are also on track with the audit process and expect to provide an update before the end of the year. He reported that staff is exploring replacement options for a new ERP software that will bring greater efficiency across the District, and, with Board approval, implementation could begin in 2026. Many reports provided regularly are not automated, and the current financial system is not best-suited for our agency.

10. RATE STUDY UPDATE – IB CONSULTING

Mr. Wiley stressed the importance of strict compliance with the requirements of Proposition 218. The previous Rate Study was completed in 2023 and recommended annual 9% rate increases, plus the SDCWA pass-through. The 9% rate increase was implemented on July 1, 2023, and a pass-through of about 9% was implemented in January of 2024. Then, on July 1, 2024, we only implemented an increase of 4.5%, half of the previously approved 9% increase. We were able to reduce the rate increase due to anticipated lower water costs from our new wholesaler, EMWD. The Board approved another 4% increase to go into effect on January 1, 2026, and the next increase wouldn't be implemented until January 1, 2027. We've stabilized rates, and a majority

of agricultural customers did see a decrease after detachment. The updated rate analysis will ensure the District is on the right track.

Andrea Boehling, Principal and Managing Partner of IB Consulting, presented an overview of what factors are involved in the financial planning process. Key assumptions include 0% account growth, a reserve interest rate of 1.5%, and cost escalations for salaries, benefits, capital construction, general, energy, and water purchases. In regard to those water purchases, the District has implemented pass-through costs and can opt to stop doing so on an annual basis.

Water demands fluctuate due to many variables, and Ms. Boehling shared that more savings have been accomplished from messaging versus tiered rates. About 60% of RMWD's water sales come from 21% of its customers, the agricultural users. Historical water sales were reviewed, which vary from year to year. Historical demand assumptions also fluctuate from year to year, but overall have declined due to a reduction in agriculture and customer conservation. Capital projects and asset management are the most critical components of the financial plan. The financial model considers at least five years of the CIP Plan, and rates are set to cover the CIP needs sufficiently. Recommendations for Water Reserve policies include 60-90 days of operating funds, one year of depreciation of assets, two years of a five-year average of water capital, rate stabilization of 5-10% of rate revenues, and \$100K for Liability Self-Insurance. The ideal Fiscal Year 2026 requirement is \$33.5M. The current financial position, considering rates currently in place, is estimated to have a positive net cash flow through FY 2031, but does not include funding for capital projects. Capital Improvement Projects planned for FY 2026-2030 total \$43.6M, necessitating adjustments. In addition, the District will continue to fund the Exit Fee in the amount of \$2M per year through FY 2035, and has planned for significant capital project expenses over the next five years.

Ms. Boehling presented four planning scenarios, ranging from 10-12 acre feet of water sales and inclusion of a \$22M debt issuance in 2028 for Capital Projects. The consensus was that an estimated 11,000 acre-feet in sales is a reasonable number for planning purposes. Member Hensley suggested the addition of a chart reflecting the impacts if water sales do not reach 11,000 acre feet. The Board of Directors will be presented with the option for PAYGO Financing, with an estimated 11,000 acre feet in sales, with the option for debt issuance. A brief discussion followed regarding predicting weather patterns and demands.

Legal requirements of Proposition 218, which govern RMWD's rates, were reviewed. Ms. Boehling explained the need to segregate water and wastewater revenues and utilize those revenues for their intended purpose only. Also, if an agency sets different rates for different classes of customers, the agency is required to provide solid justification for doing so. The District is very restricted as far as offering a discounted rate to any given customer class. To do so, the District would be required to utilize non-rate-funded revenues. A brief discussion followed, prompted by the results of several recent legal cases that have set precedents and upended common rate-setting methodologies.

11. STATE AND FEDERAL GRANTS UPDATE

Mr. Wiley reminded the Committee of the shared services contracts for state and federal lobbyists. Some grant applications are in progress, but limited funds are available from state or federal sources in the short term.

Management Analyst Lan presented the grant update. She listed the agencies for which we can apply and also provided specifics on the multi-agency pass-through opportunity through the Metropolitan Water District (MWD) for turf replacement. She also explained that SDG&E is the

only private company offering a grant opportunity that incentivizes EV fleet charging infrastructure. Other grants being pursued include ACWA JPIA's Wellness grant, CalFIRE's Defensible Space (Weed abatement) grant, a CalOES's Cyber Security grant, the EPA's Emergency Back-up Generators grant, CalOES's Hazard Mitigation grant. Funding has also been requested for Water Reliability Projects, such as a Heli-hydrant, a standby generator for the West Lilac Pump Station, and pipeline upgrades, which are pending approval through Congressman Darrell Issa's office.

12. REVIEW OF MONTHLY FINANCE PACKET

Finance Manager Shilkov reported that the audit is underway and should be finalized in October. Water sales for fiscal year 2025 totaled 12,905 acre feet. We have \$17.3M in unrestricted reserves, and combined with restricted reserves, we have \$22.2M in total funds. In June, the reserves stayed flat due to debt payments due July 1, 2025. The Wastewater fund is negative for the year due to the large payment owed to the City of Oceanside. Payments to the City of Oceanside for wastewater services are now up to date.

13. SUGGESTED AGENDA ITEMS FOR THE NEXT MEETING

Chairman Nelson relayed that Member Johnson requested an update on progress in obtaining the emergency generators for pump sites and an update on grant efforts.

With no pressing items pending, the Committee agreed to cancel the September meeting.

14. ADJOURNMENT to October 14, 2025, at 1:00 p.m.

The meeting was adjourned by Chairman Nelson at 3:08 p.m.



Flint Nelson, Committee Chairperson



Terese Quintanar, District Secretary