

**MINUTES OF THE REGULAR BOARD MEETING  
OF THE BOARD OF DIRECTORS OF THE  
RAINBOW MUNICIPAL WATER DISTRICT  
MARCH 28, 2023**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on March 28, 2023 was called to order by President Hamilton at 12:03 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Hamilton presiding.

2. **ROLL CALL**

**Present:** Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.

**Also Present:** General Manager Kennedy, Legal Counsel Smith, Executive Assistant Washburn, Human Resources Manager Harp, Information Systems Specialist Espino.

No members of the public were present in person, via teleconference or video conference before Closed Session.

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

Mr. Kennedy pointed out Items #20 and #22 are the same presentation; therefore, #22 can be deleted.

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; therefore, the instructions were not read aloud.

5. **ORAL/WRITTEN COMMUNICATIONS FROM THE PUBLIC OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING CLOSED SESSION AGENDA ITEMS (Government Code § 54954.2).**

There were no comments.

*The meeting adjourned to Closed Session at 12:05 p.m.*

6. **CLOSED SESSION**

A. Conference with Legal Counsel-Anticipated Litigation (Government Code §54956.9(d)(2))

\* One Item

B. Appointment of Public Employee – General Manager Pursuant to Government Code §54957

(\*) - Asterisk indicates a report is attached.

*The meeting reconvened at 12:49 p.m.*

**7. REPORT ON POTENTIAL ACTION FROM CLOSED SESSION**

Time Certain: 1:00 p.m.

**8. REPEAT CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on March 28, 2023 was called to order by President Hamilton at 1:01 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Hamilton presiding.

**9. PLEDGE OF ALLEGIANCE**

**10. REPEAT ROLL CALL**

**Present:** Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.

**Also Present:** General Manager Kennedy, Legal Counsel Smith, Executive Assistant Washburn, Finance Manager Largent, Human Resources Manager Harp, Operations Manager Gutierrez, Water Operations Supervisor Coffey, Construction and Meters Supervisor Lagunas, Information Services Specialist Espino, Utility Worker Diaz, Crew Leader Rose.

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

Engineering and CIP Manager Williams, Information Technology Manager Khattab, Senior Project Manager Tamimi, Senior Project Manager Parra, Administrative Analyst Rubio, Administrative Analyst Barrow, Grant Specialist Kim, Construction and Meters Supervisor Lagunas.

Seven members of the public were present for Open Session in person, via teleconference or video conference.

**11. REPEAT REPORT ON POTENTIAL ACTION FROM CLOSED SESSION**

Legal Counsel reported the Board met in Closed Session to discuss two items and there was no reportable action.

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

President Hamilton reported the presentations under Items #20 and #22 are the same; therefore, Item #22 will be eliminated due to its redundancy to Item #20.

**13. REPEAT INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

President Hamilton read aloud the instructions for those attending the meeting via teleconference or video conference.

(\* ) - Asterisk indicates a report is attached.

**14. ORAL/WRITTEN COMMUNICATIONS FROM THE PUBLIC  
OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING  
ITEMS NOT ON THIS AGENDA (Government Code § 54954.2).**

There were no comments.

**15. EMPLOYEE RECOGNITIONS**

Mr. Kennedy noted both employees were being recognized for their tenure as well as receiving their five excellence coins.

**A. Service and Excellence Coin Awards**

**1. Kenny Diaz – 15 Years**

Mr. Kennedy stated Kenny Diaz was working in the customer service department and handling meters when he came to RMWD and was now working in the meters department. He mentioned Mr. Diaz was one of RMWD's outstanding technicians who deals with customers in the field on the metering side and has received eight nominations since 2017. He pointed out a great number of nominations come from the customers who share positive experiences with RMWD staff members. He presented Mr. Diaz with a check and plaque in recognition of his tenure as well as a plaque in recognition of his achieving all five excellence coins.

**2. Bryan Rose – 20 Years**

Mr. Kennedy stated Bryan Rose is a crew leader working in the operations department who is always thinking about how to do things better. He noted Mr. Rose has received twelve nominations for coins since 2017 and is well-respected by his peers. He presented Mr. Rose with a check and plaque in recognition of his tenure as well as a plaque in recognition of his achieving all five excellence coins.

**\*16. APPROVAL OF MINUTES**

**A. February 28, 2023 - Regular Board Meeting**

***Motion:***

***To approve the minutes.***

***Action: Approve, Moved by Director Moss, Seconded by Director Gasca.***

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

***Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.***

(\*) - Asterisk indicates a report is attached.

**\*17. BOARD OF DIRECTORS' COMMENTS/REPORTS**

Directors' comments are comments by Directors concerning District business, which may be of interest to the Board. This is placed on the agenda to enable individual Board members to convey information to the Board and to the public. There is to be no discussion or action taken by the Board of Directors unless the item is noticed as part of the meeting agenda.

**A. President's Report (Director Hamilton)**

President Hamilton talked about the State Water Project Tour he attended and shared some of the highlights. He encouraged others to attend future tours.

**B. Representative Report (Appointed Representative)**

**1. SDCWA**

**A. Summary of Board Meeting February 23, 2023**

Mr. Kennedy reported there have been two meetings since RMWD's Board last met. He mentioned concerns expressed by SDCWA regarding the potential investments in conveyance structures that would bring water from the north through the delta a different way than through the 100-year-old levees in use today. SDCWA complained that they did not want to pay for things they don't need, which he pointed out is exactly how some member agencies feel. He reported long discussions also took place regarding challenges SDCWA had with the Metropolitan Water District and again pointed out that many member agencies have the same concerns about SDCWA. He concluded noting although SDCWA was not expected to vote on their rates until June, a press release advertising a 14% increase was recently published. Discussion followed.

**2. CSDA**

No report was given.

**3. LAFCO**

Mr. Kennedy reported the last meeting focused on the focus was on the Tri-City Hospital and Palomar Hospital matter. He mentioned the conflict between the Mission Resource Conservation District and the Resource Conservation District of Greater San Diego was another matter being addressed at LAFCO. He concluded his report noting the start time for LAFCO meetings will be 8:00 a.m. going forward.

**4. Santa Margarita River Watershed Watermaster Steering Committee**

There were no comments.

**5. ACWA**

Director Gasca talked about the statewide public education campaign called Quench California who have launched a paid partnership that may be available to RMWD, if eligible. Mr. Kennedy announced RMWD has filled the part-time communications position who will help promote this information.

(\* ) - Asterisk indicates a report is attached.

Director Gasca summarized numerous bills that have been introduced into the Assembly dealing with water rights. He mentioned Governor Newsom did an order which expedited water use for recharge as well as how SDCWA received \$3M in grant funds to install water efficient toilets and smart irrigation in under-represented communities. He reported 20% of Eastern Municipal Water District's drinking water is supplied by ground water wells.

Director Gasca announced a Central Valley Tour is scheduled for April 26-28, 2023 the Spring Conference for May 9-11, 2023, and a Bay Delta Tour for May 17-19, 2023.

**C. Meeting, Workshop, Committee, Seminar, Etc. Reports by Directors (AB1234)**  
**1. Board Seminar/Conference/Workshop Training Attendance Reports**

Director Gasca provided an oral report following his attendance at the ACWA Legal Symposium during the previous week noting some of the highlights of the information provided. He referenced handouts provided the each of the Board Members.

Director Townsend-Smith stated the tour she attended recently was great and very interesting. Discussion ensued.

**D. Directors Comments**

Director Mack mentioned he received a telephone call from a ratepayer who would like to donate a portion of his land for the installation of a heli-hydrant. Mr. Kennedy asked Director Mack to get all the information to Mr. Gutierrez so he can research the matter further.

**E. Legal Counsel Comments**  
**1. Attorney Report: Wastewater Discharge Permitting and SDCWA v. MWD Litigation 501668-0002**

Legal Counsel summarized the information contained in the written report. He explained the difference between a Wheeling Agreement and Transfer Agreement.

**18. COMMITTEE REPORTS**

**A. Budget and Finance Committee**

Mr. Nelson reported the committee met on March 14<sup>th</sup> during which the committee heard and recommended the Board move forward with both Items #19 and #27 before the Board today.

**B. Engineering and Operations Committee**

Mr. Nelson reported the committee met on March 1<sup>st</sup> at which Items #23 and #24 before the Board today. He mentioned there was a difference of opinion between the committee and staff on Item #24; however, that can be discussed once the item is presented.

**C. Communications and Customer Service Committee**

President Hamilton reported the committee discussed the split between customer service administration and communications resulting in finding a new Customer Service Supervisor and reallocating previous funds for a part-time communications position. He noted the committee was provided updates on the CIP program, detachment, and Rainbow headquarters becoming a field trip destination which has been rescheduled for April 27<sup>th</sup>. He mentioned there was discussion

(\*) - Asterisk indicates a report is attached.

on higher rates of adoption for online bill pay, communications calendar, the upcoming Avocado Festival, and activities in celebration of RMWD's 70<sup>th</sup> anniversary. He pointed out the committee recommend the Board reappoint Mr. Shute as a committee member.

Ms. Harp reported the cost associated with an anniversary event to coincided with the actual anniversary of RMWD would total approximately \$15,000; a brand refresh with a new logo, etc. would total approximately \$25,000; a complete name change would total somewhere between \$50,000-\$185,000. She mentioned the feedback from the committee was to postpone the name change until a detachment decision is made.

Discussion went to Item #25.

## **PRESENTATIONS**

Discussion returned from Item #25.

### **19. WATER AND WASTEWATER COST OF SERVICE PRESENTATION**

Ms. Boehling stated she will be reviewing the Wastewater Financial Plan noting this review will include the wastewater financial plan outlook, rate alternatives, and water financial plan outlook.

Ms. Boehling pointed out nothing has changed with the Wastewater Financial Plan except for the salaries escalation percentage which has been increased to 6% based on staff recommendation. She explained benefits escalations are still being explored; however, waiting until August would be too late to make any adjustments for the study. It was confirmed staff is comfortable with the 3% benefits escalations.

Ms. Boehling noted the treatment costs percentage have been escalated to 6%; however, she recommended implementing a pass-through provision for these should they increase more than 6%, it can be passed along to customers. She explained these treatment costs are completely outside the District's control but account for 35% of the operating expenses.

Ms. Boehling reviewed the current wastewater financial position noting if no adjustments are made, RMWD will face significant challenges in our wastewater operating and capital reserve funds. She pointed out these rates have not been updated since 2018; therefore, the District needs to catch up. She explained the proposed financial plan options including eliminating operating deficit, funding operating reserve, and building up funding in the capital reserve.

Ms. Boehling presented two financial plan scenarios with the first being deferring CIP for the whole five-year period and the other being for planned CIP with debt issued in the amount of \$9.5M. She reviewed financial plan scenarios noting she would be proposing RMWD proceed with debt issuance noting the biggest reason would be that it would help stabilize the District's revenues as well as spread the costs across the users who will benefit from those facilities or assets. She talked about the revenue adjustments in relation to the two options. She pointed out if CIP is deferred, RMWD will need an initial one-time revenue adjustment (not rate adjustment) of 40% due to getting over the operating deficit. She stressed the sooner the District makes this decision, the better impact it will have on rates down the line.

Ms. Boehling presented the revenue adjustments and rates relative to the two options. President Hamilton inquired as to whether the rate adjustments would be monthly. Ms. Boehling confirmed they would be monthly. She talked about how the rates would grow over the five-year period noting under the first scenario, the CIP will be deferred so that next time a study is conducted, the

(\* ) - Asterisk indicates a report is attached.

District will need to phase back in the CIP which could result in the rates spiking again at the end of the period which was a risk associated with the first scenario. She said for this reason and from a rate consultant standpoint, she would recommend proceeding with the second scenario; however, this would depend on what the District is comfortable with in terms of the level of adjustments.

Ms. Boehling reviewed the regional rate comparison noting if RMWD had implemented the rate increases from the last study, the current wastewater rates would be \$73.58. President Hamilton asked if the rates presented in the comparison are current or projected rates. Ms. Boehling confirmed these were the current rates. Mr. Kennedy pointed out the regional rate comparison chart was indicative of RMWD's current situation in that it did not keep up to where it needed to be.

President Hamilton inquired as to what CIP projects would be deferred under the first scenario. Mr. Kennedy listed some of the non-essential CIP projects that would be deferred.

Ms. Boehling mentioned the only matter not discussed today was whether the Board would like to direct staff to look into placing the wastewater rates on the property tax bills. She noted many agencies are doing or trying to do this now to provide some relief on the month-to-month costs.

Director Moss stated it was quite interesting to see the differential between RMWD and FPUD, especially when FPUD has 70% residential customers and RMWD has 30%. Director Gasca pointed out FPUD has a wastewater treatment plant which feeds into their rates. Discussion ensued.

Ms. Boehling asked the Board to consider the scenarios presented and welcomed any additional scenarios or options they would like to have presented. Ms. Largent pointed out staff will present a recommendation to the Board for opening the rate hearing for both water and wastewater on April 25, 2023. She explained why staff would be recommending the Board approve the second scenario.

President Hamilton asked if the projected five-year rate was approximately \$108.00 under the second scenario which was still substantially mid-range. Ms. Largent clarified if the Board opened the rate hearing on June 27, 2023 and approved those five years of rates, staff would still bring the budget back to the Board every year for an increase up to that amount (not necessarily the full amount) without having to do a Proposition 218 notice. It was explained that the five year rate setting process was for the maximum rates the Board could adopt in a worst case scenario. Should developer fees or grant funding become available the rate increases could be mitigated. Discussion followed regarding future developments.

President Hamilton inquired as to whether there was a means to collect data as to create a comparative analysis as to what other agencies have done in terms of adding these rates to property tax bills. He said although he understands putting these on the tax roll is beneficial to the District operationally; however, he expressed concern with tax bills increasing. Ms. Largent noted some of RMWD's benefits would include this being the first step to of maybe getting the water fees on the tax roll and guaranteed collection as well as the benefits to the customers in that with RMWD being able to collect from all customers who do not pay their bills will benefit those customers who do pay their bills. President Hamilton stated it was important to think this through carefully weighing all the pros and cons associated with making this change. Ms. Boehling offered to prepare a pros and cons list for the Board.

Ms. Boehling gave a presentation on the water financial plan noting the key assumptions are the same as those for wastewater. She pointed out energy was way more impactful for water than wastewater and already includes a 15% increase in energy costs for FY23 and then increasing that 5% each year thereafter. She noted the purchased water accounts for approximately 58% of RMWD's operating costs; therefore, it is always recommended the pass-through provision be maintained going forward.

President Hamilton inquired as to why SDCWA was not subject to Proposition 218. Mr. Kennedy stated it was due to SDCWA being a wholesale agency. Discussion followed.

Ms. Boehling displayed RMWD's historical water purchases which will be used moving into the five-year plan. She pointed out RMWD was greatly impacted by weather changes as well as customer class changes. She noted that as RMWD's agricultural customers stop producing, the water usage is going to decrease, and rates will need to be increased. She mentioned 63%-67% of the District's water usage is generated by 24% of its customers which are agriculture.

Director Gasca stated the question is whether SDCWA's purported 14% increase will have a reciprocating factor that will cause the customers in the agricultural category call it quits. Mr. Kennedy noted one of the things not taken into consideration is how the costs drive so many people in the local area out of business.

President Hamilton asked if RMWD's usage were to drop roughly below 10,000 acre feet per year upon losing its 1.5%. Mr. Kennedy stated although it is unknown, this was a possibility for which RMWD should plan. Director Gasca suggested including a worst-case scenario as part of the RMWD's strategic plan.

Ms. Largent explained the goal was to take incremental steps so that when this happens, it does not all fall on single family residential customers.

Ms. Boehling continued with the presentation reviewing RMWD's current financial position in terms of minimum and ideal targets for water reserves. She confirmed the targets were best practices. She noted she strongly recommended RMWD have a rate stabilization reserve due to it being so variable as well as having so much volatility. She stated ideally in FY24, RMWD would want to be between \$17.2M and \$30.8M. She noted should RMWD not want make any rate adjustments, ending reserve balances after funding capital would be depleted after FY26; therefore, 8% revenue adjustments each year would be necessary using a steady approach.

Ms. Boehling talked about approaching the evaluating rate options as well as water rate design considerations. Discussion ensued.

Ms. Boehling pointed out the District's water fixed cost recovery is around 37%. She noted fixed cost recovery has been trending upwards to 40% and how she would recommend RMWD get to 40%. She used the rate model to demonstrate what this would mean for RMWD as well as how various customer classes would be impacted.

Director Moss asked Mr. Kennedy if he saw any significant change in the 20/20 Zoning Plan. Mr. Kennedy stated he has not which is why RMWD was focusing on reducing its input costs in a big way as well as trying to find different ways of obtaining funds. Director Moss stated it would seem to her RMWD needs to shift whatever is appropriate to its fixed costs.



Ms. Boehling explained once she is provided with direction, she will be able to prepare options to share with the Board so they can see how sensitive and impactful each change will be. She noted when it comes to messaging, it will be important to know how much will belong to RMWD as well as to SDCWA. She noted the customer impact will depend on the meter size, usage, etc.

Director Gasca asked if it were possible to put another column in the model that shows the money that would be available if RMWD were to attach to Eastern Municipal Water District. Ms. Boehling agreed to add a column for this for the Board's internal use in making an informed decision.

President Hamilton recommended adding the escalation of SDCWA's costs. Ms. Boehling clarified this model was holding the purchased water cost where they are today, not including any escalations which in turn will make it worse. Ms. Largent stated as long as SDCWA's rate increases are outpacing RMWD's the bar gets bigger.

Mr. Kennedy apologized for the length of the presentation; however, it was important for staff to ensure the constraints RMWD was under are understood as well as receive policy direction from the Board as to how to proceed.

Director Moss said based upon the amount of CIP improvements made to the entire system since Mr. Kennedy joined RMWD have been dramatic, huge, as well as a good use of money. President Hamilton mentioned CIP projects were also at that time to keep rates down; however, this was no longer an option. Ms. Largent pointed out this assumes no development funds as well as staff was reaching out to public relations firms for assistance with the messaging and Proposition 218 notice. Mr. Kennedy added the Communications and Customer Service Committee will also be deeply involved with sculpting that messaging.

Ms. Boehling stated she needs to know what percentage of fixed cost recovery the Board would like to proceed with, noting 42% may be too high and 37% being the lowest. Director Gasca stated the Board has a fiduciary responsibility to do what is appropriate knowing what is in front of them. Director Moss noted it was also the Board's responsibility not to overdo or underdo it.

Ms. Boehling solicited the Board for direction on the fixed recovery. President Hamilton asked for clarification as to the recommended 42% or whether that mark should be pushed to 50%-60% in the future. Ms. Boehling explained it would depend on the usage at the time of the next Cost of Service Study. Mr. Kennedy added it would also depend on whether consumption patterns shift and in turn affect the driver for the fixed charges.

President Hamilton asked what could be done to smooth the curve of the transition. Ms. Largent explained this was what was being done with the recommended 42%.

Director Moss inquired as to whether this would be revisited every so many years once the first increase is set at 40%. Ms. Largent explained if sales remain steady, then the recommended 42% would stay pretty stable throughout the entire five years as long as there were no changes in usage; however, it will be looked at every year during the budget process.

Director Gasca asked for the amount of acre feet of water purchased by the 1.5% agricultural users. It was noted the total was approximately 4,000 acre feet. Ms. Largent stated it may be good to add something to the messaging should the sales drop to 8,000 acre feet.

Ms. Largent reiterated staff will be coming back to the Board on April 25<sup>th</sup> asking for action on the rate increase. Ms. Boehling noted in the interim, she will stay with the 42% rate revenue recovery as an option if the Board agrees.

Director Moss asked for clarification as to whether the Board has to increase the rates to the highest percentage of the range immediately, but rather incrementally. Ms. Largent clarified this range was to determine how the revenue increase would be implemented; therefore, it would not be done incrementally. Mr. Kennedy explained when this comes to the Board for action in June, it is going to be to approve the rates going into effect on July 1<sup>st</sup> and in subsequent years the Board can set the rates up to the limit provided. Ms. Largent explained this percentage is being used to determine how to design the rate model noting the 40% versus 42% stays, but what can be decided is up to the 8% each year of the revenue requirements. Discussion ensued.

Director Moss stated she tends to agree with moving more into having heavier fixed charges. President Hamilton asked if staff would be proposing a percentage increase for the Proposition 218 for five years up to 8% every year in April. Ms. Largent confirmed this was correct. President Hamilton inquired as to whether staff was also asking how the 8% would be allocated in variable or fixed charges. Ms. Largent noted this was correct and how the 42% versus 40% piece would stay the same throughout the five years. Ms. Boehling pointed out in order to adjust the fixed to variable rates in the midst of the five years, a cost of service will be required for every single year.

Director Moss said she tends to agree with the 37%-42% and would like to see the fixed costs moved over and stabilized into areas where they should be as opposed to where they are now, i.e., the recommended changes to the fixed costs. She explained the reason for this is that she does not believe RMWD will see a great deal of CIP funds in the next 5-6 years which is the time it takes to get projects up and rolling.

President Hamilton stated he does not disagree with Director Moss; however, he would like to know what the law says in terms of how RMWD is allowed to proportion those allocations, especially if stuck in a five-year plan. Mr. Kennedy recommended moving forward now and then next year have Legal Counsel find RMWD a path. President Hamilton pointed out should detachment not happen for whatever reason coupled with a 14% rate increase from SDCWA, it is most likely numerous growers are going to end up bailing putting RMWD in a very bad situation.

Director Townsend-Smith inquired as to why this could not be looked at on an annual basis as opposed to a five-year plan, especially with so much volatility. President Hamilton explained due to the costs associated with the required Proposition 218 noticing on an annual basis as opposed to once in five years. Mr. Kennedy pointed out having a five-year plan does not preclude RMWD from doing this every year. Ms. Largent confirmed it could be done every year; however, the idea was to attempt to save costs as well as not repeat history where there were no wastewater rate increases for five years. It was noted the Board could decide to modify its plan at any time during the five-year plan. Discussion followed.

Director Townsend-Smith stated she preferred a lower percentage of 30%. President Hamilton stated he was fine with 38%-42%. Director Gasca stated his preference was to be better prepared; therefore, he wanted to be at 42% with the percentage increases better than inflation as an attempt to stay ahead and work toward building reserves.

Ms. Largent noted the messaging received from the Board over the past five years was to move more of the rate recovery onto the fixed; however, staff will proceed as the Board directs. She suggested the Board go with 42% but understands this is a hard message to put out.

Discussion ensued regarding how staff may be impacted should this matter be pushed out and although empathetic as to what the Board needs to decide, staff would proceed as directed.

Director Gasca invited Flint Nelson to weigh in on this matter. Mr. Nelson stated he found the work staff did on this to be outstanding and how this conversation could not have been had five years ago. He said the Budget and Finance Committee has sat through this presentation a couple of times and that he too was on the “plan for the worst and hope for the best” scenario. He noted this was the year to go ahead and get a substantial rate increase implemented that provides RMWD with the best flexibility to do something different in the future by minimizing the long-term hit. He pointed out the worst thing that could happen would be to take substantial rate increase in the near term and have numerous big users fall off resulting in bigger rate increases in the future; however, some things cannot be controlled. He stated although he shares the Board’s concern, the most important thing would be to preserve the flexibility for the out years; therefore, he would agree with the proposed 42% or even a little higher.

Director Gasca asked Mr. Nelson for his thoughts regarding the percent increase. Mr. Nelson said he was little more undecided about the percent increase, but that could be due to having a bias in that he does not believe under any circumstances RMWD should “reign in the horses” now that its finally known how to implement a capital improvement program. He explained this means he would go for a higher percentage increase to ensure RMWD is receiving capital dollars that can be spent on the replacement and upgrading of infrastructure that will save ratepayers money on the operating side as opposed to constantly responding to crisis of the moment. He stated although he does not have a number in mind, he would say staff was in a position to take that guidance and come back with a good number. He concluded with noting RMWD should always be doing a minimum of \$3M per year in capital improvements; however, now that it’s known more money can be spent, he encourages everyone to look bigger because the infrastructure is not getting any better.

President Hamilton asked whether a study has been conducted in the past related to funding capital improvement at a \$1M, \$2M, and \$3M per year level in terms of what rate increases would be associated with such. Ms. Boehling explained the capital plan study provided for approximately \$5M-\$7M per year at 8% assuming the water usage stays constant with what was being projected for FY23. She noted the model also assumed a \$6.2M annual spend. President Hamilton inquired as to what would RMWD receive in extra capital improvement by increasing the percentage to 9%. Mr. Kennedy noted the earlier a larger rate increase is implemented will make a big difference five years out.

Director Moss inquired as to whether staff had an idea of how much money RMWD has been saved with all of the capital improvements already completed. Mr. Kennedy explained it was hard to put any particular number to this; however, the staff continues to monitor break rates which have decreased some already. Discussion followed.

Mr. Nelson clarified the fact that \$6M-\$7M is built into the 8% number over the 4–5-year period, he will continue to advocate escalating expense higher than escalation for cost of funds.

Mr. Kennedy stated although there was no vote required for this item, there was enough general direction provided to put a proposal together to present to the Board in April. He pointed out the although the Board will have an opportunity make minor revisions to the proposal at their April meeting, it will be the last opportunity to do so in order to meet the regulatory requirements associated with Proposition 218.

Director Townsend-Smith stated although she did not want to sound unrealistic, she was shocked with the already high rates when she relocated to the area. She expressed concern about how scary it may be for young families moving into the single-family homes within her division being impacted with even higher water rates; therefore, she would prefer finding a middle ground. Mr. Kennedy acknowledged the concerns for the ratepayers; however, RMWD's hands were tied, especially by not being able to differentiate costs under Proposition 218.

***President Hamilton called for a break at 3:52 p.m.***

***The meeting reconvened at 4:03 p.m.***

**Discussion went to Item #23.**

**20. RIGHT-OF-WAY CLEARING UPDATE PRESENTATION**

This item was deferred to April.

**21. CAPITAL IMPROVEMENT PLAN (CIP) UPDATE PRESENTATION**

This item was deferred to April.

**22. DISTRICT WIDE WEED ABATEMENT INFORMATIONAL PRESENTATION**

This item was to be addressed under Item #20 per Items #3 and #12; however, Item #20 was deferred to April.

**BOARD ACTION ITEMS**

**\*23. NOTICE OF COMPLETION AND ACCEPTANCE OF INFRASTRUCTURE FOR MONSERATE WINERY BY GIRD VALLEY INC. (DIVISION 3)**

Mr. Williams provided some background on the project noting it was 100% complete and built per RMWD's Standards and Specifications as well as approved plans. He acknowledged staff members who worked diligently with internal team members and developers in support of the process of getting this project to this point.

Director Moss asked for clarification as to whether RMWD's infrastructure was complete, but not the buildings. Mr. Williams confirmed this was correct.

***Motion:***

***Option 1 - Accept the Monserate Winery improvements as complete and as shown on the approved plans, approve Filing the Notice of Completion, add installation costs of \$173,813 to the District's valuation, and make a finding that the action herein does not constitute a "project" as defined by CEQA.***

***Action: Approve, Moved by Director Moss, Seconded by Director Gasca.***

(\*) - Asterisk indicates a report is attached.

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

***Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.***

*Discussion went to Item #24.*

**\*24. DISCUSSION AND POSSIBLE ACTION TO APPROVE A CHANGE ORDER TO THE ENGINEERING AND DEVELOPMENT PLAN CHECK SERVICES PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$200,000 & EXTEND THE CONTRACT THROUGH DECEMBER 31, 2024 (DIVISION ALL)**

Mr. Kennedy explained when the Associate Engineer position was vacated, RMWD contracted with Ardurra for plan checking services with 100% of their costs being paid by the developers. He stated with the current uncertainty with development as well as economic conditions, staff was recommending continuing the as-needed contract through the next year not to exceed \$200,000 with costs being paid by the developers. He said although he understands Mr. Nelson's well-founded comments regarding RMWD having an in-house engineer position for the prosecution of other CIP projects, there is a difference of opinion. He pointed out the committee did not recommend Board approval for this item; however, staff met internally during which time it was decided until there is more certainty in terms of CIP funding and development environment, it would be more prudent to not commit to another full-time employee prior to conducting another thorough staff analysis to determine if such would be warranted.

Mr. Nelson agreed this was an honest disagreement based on different points of view as to how to proceed. He shared his perspective based on experience in that it was better to invest in RMWD's future as opposed to a consultant's future, especially when knowing this position will need to be filled eventually. He stated although he was surprised other committee members signed on to his perspective, he believes RMWD should hire a junior engineer starting out in their career who could be exposed to various engineering and operations areas as a means of building the role's capability rather than putting money into consultants for which RMWD does not receive long-term development. He said he did not work out all the numbers and such, but he believes there is a value in developing the District as well as its staff; therefore, he proposed investing in staff.

President Hamilton stated it appeared the costs would be the same. Mr. Williams clarified the costs would not be the same in that the \$218,000 would be per year whereas the contract would be \$200,000 for the course of two years.

Mr. Kennedy agreed with Mr. Nelson that RMWD should focus on developing staff; however, RMWD was a small organization who operates very lean. He noted staff will proceed as directed by the Board.

President Hamilton inquired as to why a 21-month period was chosen as opposed to a 12-month period. Mr. Williams stated although staff agreed with the Engineering and Operations Committee's assessment, staff does not agree with the timing; therefore, a two-year contract with Ardurra was elected to allow for an opportunity to see what transpires throughout 2023. He pointed out the contract can be terminated for a convenience at any time RMWD desires. President Hamilton asked if the fees were fixed for the duration of the contract or allow for inflation escalations. It was noted no such clause would be accepted by RMWD.

Director Moss stated she was not in favor of adding weight to the payroll at this time; therefore, she recommended using the contract to make determinations as to how to best proceed. President Hamilton clarified he was questioning the term of the contract and what exposure RMWD may have in terms of cancellation or escalation. Mr. Williams stated this would reside at the sole discretion of the District.

Director Gasca mentioned the current environment was spiraling which in turn raises concern RMWD would hire someone to start their career who would leave after a year or two to pursue other opportunities with salary increases. He noted when in this type of environment previously, the reality turned to focusing on finding incentives to assist with employee retention. He suggested since the contract costs are at no charge to the District and can be cancelled at any time, including when things slow down, it may be best to contract these services for right now.

Ms. Harp added the engineering position was a single incumbent position; therefore, it is often not a good idea to hire someone at the early end of a career due to their not being a mentor from which they can learn.

***Motion:***

***To approve Option 1 – Authorize the General Manager to execute Change Order #2 to the Professional Services Agreement with Ardurra to provide Engineering and Development Plan Check Services in the amount of \$200,000, extend the contract term from October 31, 2023 to December 31, 2024, and make a determination that the action identified herein does not constitute a “project” as defined by CEQA.***

***Action: Approve, Moved by Director Gasca, Seconded by Director Moss.***

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

***Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.***

*Discussion went to Item #26.*

**\*25. DISCUSSION AND POSSIBLE ACTION REGARDING BALLOT AND VOTE CERTIFICATION FORM FROM SAN DIEGO LOCAL AGENCY COMMISSION (LAFCO) FOR A REGULAR AND AN ALTERNATE SPECIAL DISTRICT MEMBERS ON LAFCO COMMISSION**

Mr. Kennedy introduced one of the candidates, Barry Willis, to the Board. He noted there were two other candidates seeking the regular member position as well as two seeking the alternate member position.

Mr. Willis addressed the Board as he spoke about his recent campaign efforts. He explained he was doing his best to get both sides of issues to understand each other using the Tri-City Hospital and Palomar Hospital matter as an example.

Mr. Kennedy explained the options available to the Board.

**Motion:**

**To cast a vote in support of Barry Willis and David Drake.**

**Action: Approve, Moved by Director Gasca, Seconded by Director Mack.**

**Vote: Motion passed (summary: Ayes = 4, Noes = 0, Abstain = 1).**

**Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss.**

**Abstain: Director Townsend-Smith.**

Discussion went to Item #19.

**\*26. CONSIDER COMMITTEE MEMBER REAPPOINTMENT**

**Motion:**

**To approve Option 1 – Reappoint Bill Shute as a member of the Communications and Customer Service Committee.**

**Action: Approve, Moved by Director Hamilton, Seconded by Director Moss.**

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

**Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.**

Discussion went to Item #27.

**\*27. APPOINTMENT OF BILL STEWART TO BUDGET AND FINANCE COMMITTEE AS PUBLIC MEMBER**

Ms. Washburn explained this item was to provide an opportunity for the Board to appoint Bill Stewart as a member of the public as opposed to the Board representative.

**Motion:**

**To approve Option 1 – Appoint Bill Stewart to serve as a member of the public on the Budget and Finance Committee.**

**Action: Approve, Moved by Director Gasca, Seconded by Director Hamilton.**

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

**Ayes: Director Gasca, Director Hamilton, Director Mack, Director Moss, Director Townsend-Smith.**

Discussion went to Item #28.

(\* ) - Asterisk indicates a report is attached.

**28. BOARD MEMBER REQUESTS FOR AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS**

There were no requests.

Discussion went to Item #29.

**BOARD INFORMATION ITEMS**

**\*29. RECEIVE AND FILE INFORMATION AND FINANCIAL ITEMS**

- A. General Manager Comments**
  - 1. Meetings, Conferences and Seminar Calendar
- B. Operations Comments**
  - 1. Operations Report
- C. Engineering Comments**
  - 1. Engineering Report
  - 2. As-Needed Services Expenditures Summary
  - 3. RMWD Sewer Equivalent Dwelling Units (EDU's) Status
- D. Human Resource & Safety Comments**
  - 1. Human Resources Report
  - 2. Organizational Chart
- E. Finance Comments**
  - 1. Board Information Report
    - A.** Budget vs. Actuals
    - B.** Fund Balance & Developer Projections
    - C.** Treasury Report
    - D.** Five Year Water Purchases Demand Chart
    - E.** Water Sales Summary
    - F.** Check Register
    - G.** Directors' Expenses Report
    - H.** Credit Card Breakdown
    - I.** RMWD Properties
    - J.** Grant Progress Report

Ms. Largent provided an update regarding the current crisis within the banking industry noting RMWD was pretty evenly balanced. She mentioned RMWD had quite a bit of funds being withheld from the whole water efficiency loan for which she opened a California Class Account (similar to LAIF) which has a return of approximately 5%. She also noted RMWD owned some investments last Fall that were sold for a loss; however, if sold at a later date, RMWD would have lost everything on these.

Mr. Gutierrez presented an update on the recent atmospheric conditions in relation to the recent heavy and continuous rainfall and how RMWD facilities and staff have been impacted. Director Gasca requested a breakout of the costs associated with these impacts including labor, rental equipment, etc. once the season ends. Mr. Gutierrez agreed to prepare a report to present to the Board in May.

The information and financial items were received and filed.

Discussion went to Item #30.

(\* ) - Asterisk indicates a report is attached.



**30. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING**

It was noted the right-of-way clearing update presentation, capital improvement Plan update presentation, opening the rate hearing, ongoing litigation for Closed Session, as well as the Rainbow Public Facilities Corporation annual meeting will be on the next Board meeting agenda.

Discussion went to Item #31.

**31. ADJOURNMENT**

***The meeting was adjourned by President Hamilton to a regular meeting on April 25, 2023 at 1:00 p.m.***

The meeting was adjourned at 4:39 p.m.

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**Hayden Hamilton, Board President**

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**Dawn M. Washburn, Board Secretary**

(\* ) - Asterisk indicates a report is attached.