

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JUNE 8, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on June 8, 2021, by Chairperson Nelson in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028 at 1:00 p.m. *(Due to COVID restrictions the meetings are being held virtually.)* Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Rindfleisch *(via video conference)*, Member Hensley *(via video conference)*, Member Johnson *(via video conference)*, Member Nelson, Alternate Williams *(via video conference)*.

Also Present: Executive Assistant Washburn, Finance Manager Largent, Information Technology Manager.

Also Present Via Teleconference or Video Conference:

General Manager Kennedy, Senior Accountant Rubio.

Two members of the public were present via teleconference or video teleconference.

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

Mr. Nelson read aloud the instructions for those attending the meeting via teleconference or video conference.

Discussion went to Item #9.

5. **SEATING OF ALTERNATES**

Mr. Williams was seated as an alternate.

Discussion went to Item #6.

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

There were no amendments to the agenda.

Discussion went to Item #7.

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

There were no comments.

Discussion went to Item #8.

***8. APPROVAL OF MINUTES**
A. May 11, 2021

Motion:

To approve the minutes.

Action: Approve, Moved by Member Hensley, Seconded by Member Rindfleisch.

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Discussion went to Item #10.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy explained he would need to leave the meeting early today to attend a SDCWA meeting. He reported the District offices will reopen on June 15, 2021; however, the details for holding public meetings and mask requirements are still being addressed. He announced a town hall meeting relating to the SDCWA detachment will be held on July 7, 2021 @ 6:00 p.m. with a Zoom component for those who wish to attend virtually. He concluded with mentioning after taking this committee's feedback on the CIP to the Board in May, staff received additional feedback from the Board and how once the committee has an opportunity to review additional options presented today, staff will take any additional committee feedback to the Board in June.

Discussion went to Item #5.

10. FINANCE MANAGER COMMENTS

Ms. Largent held her comments for each of the subject areas.

Discussion went to Item #11.

11. COMMITTEE MEMBER COMMENTS

There were no comments.

Discussion went to Item #12.

12. OPERATING & CAPITAL IMPROVEMENT BUDGET PRESENTATION

Ms. Largent reviewed the information contained in a presentation titled "Fiscal Year 2021-2022 Rainbow MWD Proposed Operating Budget & Capital Improvement Program and Rate Options".

Ms. Largent explained the rate increase options as 5%, 8% or 9%. Ms. Johnson asked about the likelihood for the detachment. Ms. Largent stated she has confidence it would be successful; however, the timeframe was unknown. Mr. Rindfleisch said due to the uncertainty and political climate throughout the area, it would be prudent to increase the rates at 9% for the first year in that it will generate a great deal of interest and public support for what RMWD was trying to

accomplish as well as hedge against the public perception that maybe detachment was not what it was made to be, but should the detachment be successful, rate increases could be at 0% for a number of years thereafter. Ms. Largent agreed this would be the prudent choice as well as presented the options associated with implementing an 80% and 70% CIP plan.

Mr. Hensley agreed the 9% rate increase in the first year was a good idea, especially when taking into consideration RMWD has not raised rates for two years and when spreading out the 9%, it would amount to 3% per year. Ms. Largent stated staff would be sure to send out the messaging in this manner.

Ms. Largent pointed out Option 10 would not be the prudent choice in that should a catastrophic event take place, multiple customers could be out of water for a significant period of time due to a lack in staff to address the situation. She pointed out there would also be the matter of escalated rate increases in the future because of increased costs associated with construction and replacement.

Ms. Largent noted another matter to be addressed is the cost of service study doing uniformed versus tiered rates. She reviewed the advantages and disadvantages with moving to uniform rates as opposed to tiered rates.

Ms. Largent reviewed the three decisions the committee would need to make at this meeting which are the percent of the CIP budget they feel comfortable recommending to the Board, the maximum rate increases per year to be driven by the decision for the first year, and whether to proceed with uniform or tiered rates. Discussion ensued.

Mr. Nelson pointed out in earlier discussions when looking at the various options, it sounded as though Mr. Rindfleisch expressed a view that the full CIP with the 9% first year rate increase seemed to be the most useful program to follow because it takes care of the out years and sets up RMWD for when detachment occurs bringing substantial benefits to the customers. He asked the committee if there was a working consensus with regard to at least of the first two decisions to recommend moving forward with the full CIP as well as the 9%, 7.5%, 7%, 3%, 3% rate increase options. Mr. Rindfleisch clarified he disagreed with proceeding with a full CIP and that it be revisited once again to determine what can be fit into a 70%-80% plan.

Ms. Largent stated she would be comfortable with the 80% CIP with a 9% rate increase in the first year; however, 70% may be more concerning. Mr. Nelson noted his support of this option.

Ms. Johnson asked Mr. Rindfleisch to repeat his proposal and concerns. Mr. Rindfleisch expressed concern that should RMWD move forward with a plan that includes detachment as well as rate increases in future years, it would cause a public perception problem. Ms. Largent displayed the 80% CIP plan noting there would be 0% rate increases in outlying years 2-5 if we detach to which Mr. Rindfleisch responded he would be more comfortable with recommending.

Mr. Hensley stated he was in favor of the 9% rate increase and 80% CIP plan. Ms. Johnson agreed to support what Mr. Rindfleisch and Mr. Hensley recommend. Mr. Williams stated although he would prefer to have a 100% CIP, he agreed with Mr. Rindfleisch that RMWD cannot detach from SDCWA and raise rates; therefore, he agreed with the 80% CIP plan. Mr. Nelson agreed with Mr. Williams; however, he was okay with the 80% program.

Ms. Johnson inquired as to the percent of RMWD reserves. Ms. Largent explained although she did not have percentages readily available, based on what the committee was recommending for Board approval, RMWD would have a five-year step approach would be implemented that would fund operating reserves at a very fiscally prudent level.

Mr. Nelson reported it seemed the committee has reach consensus to recommend the Board approve an 80% CIP with a 9% rate increase. Mr. Rindfleisch and Mr. Hensley concurred.

Motion:

That the Engineering and Operations Committee recommend to the Board that the CIP program be funded at 80%, operating budget be funded as recommended by staff and that the option for rates be the 9% rate increase with the follow-on rates both for current and detachment situations which shows negative rate increases in the out years.

Action: Approve, Moved by Member Nelson, Seconded by Member Hensley.

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Mr. Nelson solicited the committee for their preference in terms of tiered or uniformed rates. Mr. Hensley stated his preference was uniform in that it would be much more respected and approved by the customers than something else.

Ms. Largent pointed out some of the legal requirements associated with Prop 218 on determining the actual cost drivers are when considering rates. She said based on RMWD's recent cost of service, it was determined RMWD needs to go to uniform with agriculture rates; however, the questions now would be what to do with single family rates. She mentioned advantages with moving to uniformed rates as they were easier to justify, provide a solid safeguard, as well as are easier to understand and administer. She explained the only potential disadvantage would be the first year could have more of an impact on different users. Ms. Johnson asked for staff's recommendation. Ms. Largent answered staff prefers moving to uniform rates and the reasons why.

Mr. Rindfleisch stated the uniform option is probably best. Mr. Nelson said for the reasons provided, he too supported the uniform option noting it would be a great first step in moving RMWD toward a much simpler rate system than that currently in place. Mr. Hensley pointed out one of the negatives associated with tiered rates is that it could raise questions from the customers in terms of why one category benefits more than another.

Motion:

To accept the uniform rate option.

Action: Approve, Moved by Member Hensley, Seconded by Member Johnson.

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Mr. Nelson thanked Ms. Largent, staff, and the consultant for their hard work on putting together the information provided to the committee related to this matter.

Discussion went to Item #13.

***13. FINANCE SAS 114 PRESENTATION**

Ms. Largent mentioned this item was required as part of the audit that will be presented to the Board as informational on June 22nd. She announced the year-end audit is scheduled for the first week of September after which an update will be provided to the committee.

Discussion went to Item #14.

***14. TREASURER APPOINTMENT**

Ms. Largent noted this item was to meet the requirement to appoint a treasurer on an annual basis.

Motion:

To recommend the Board appoint Tracy Largent as RMWD's Treasurer.

Action: Approve, Moved by Member Rindfleisch, Seconded by Member Johnson.

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Discussion went to Item #15.

***15. KIRCHNER VARIANCE**

Ms. Largent explained this customer was requesting a downsize and how a variance is necessary due to the size of the land; therefore, staff was asking for this customer to be allowed to go from a 1.5" to 1" meter since this property is well below the required maximum.

Motion:

To recommend the Board approve the variance.

Action: Approve, Moved by Member Rindfleisch, Seconded by Member Hensley.

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

Ayes: Member Rindfleisch, Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Discussion went to Item #16.

16. BACKFLOW CHARGE INVESTIGATION PROCESS UPDATE

Ms. Largent recalled presentations have been provided to several RMWD committees and how the Board has approved staff not back charging customers who had not been charged as well as issuing credit to existing customers who were in the property that had not received testing services for each of the calendar years. She noted 853 letters would be sent to customers who would begin being charged and 2,501 letters will be mailed to those customers who will receive credits totaling approximately \$225,748. She stated the backflow investigation was now closed and resolved.

Discussion went to Item #17.

17. WATER SERVICE UPGRADE PROJECT (WSUP) PROGRAM UPDATE

Mr. Williams reported the project was 57% complete with everything going well.

Mr. Nelson inquired as to whether an inventory count has been taken to ensure there was enough equipment readily available to avoid any gap in production. Mr. Williams confirmed this has taken place.

Discussion went to Item #18.

***18. REVIEW THE MONTHLY BOARD FINANCE PACKET**

Ms. Largent referenced the systems demands chart noting RMWD was still above the five-year average.

Discussion went to Item #19.

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

It was noted an update on the WSUP as well as the monthly finance reports should be included on the next agenda.

Discussion went to Item #20.

20. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:13 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary