

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 12, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on October 12, 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. *(All meetings are being held with in person attendance following County and State COVID guidelines as well as virtually.)* Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

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

Absent: Member Johnson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent.

Also Present Via Teleconference or Video Conference:

Alternate Williams, Construction and Maintenance Supervisor Lagunas, Information Technology Manager Khattab, Information Systems Specialist Espino.

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.

5. **SEATING OF ALTERNATES**

There were no alternates 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. September 14, 2021

Motion:

The minutes be approved as written.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Rindfleisch, Member Hensley, Member Nelson.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy updated the committee on the most recent SDCWA Board meeting where discussions took place regarding the SDCWA Long-Range Financial Plan. He also reported SDCWA was victorious in its lawsuit against MWD for which MWD wrote a check in the amount of \$36 million to SDCWA of which RMWD will receive a portion.

Mr. Nelson requested confirmation all the items contained in the suite of motions from the City of San Diego were adopted by the 67% vote. Mr. Kennedy confirmed.

10. FINANCE MANAGER COMMENTS

Ms. Largent reported the month of September has been closed out and how it was anticipated there would be more customer calls due to the rate increase, PSAWR enrollment date expiration; however, there was not a large increase in calls but rather a decrease due to fixing some issues with the phone systems. She noted the results of the customers formally TSAWR that signed up for PSAWR totaled approximately 34% making up 52% of the sales of that group of customers and that feedback received was many large growers could not afford to take the cutback with drought conditions. She stated this will continued to be monitored by staff.

11. COMMITTEE MEMBER COMMENTS

There were no comments.

***12. STATE WATER AND WASTEWATER ARREARAGE PAYMENT PROGRAM**

Ms. Largent explained this was the program for which RMWD has taken the first step in applying for funds through the State for any customers who had a past due balance between March 2020 and June 2021 which consisted of a complex survey. She stated now that this step has been completed, it appears RMWD will receive \$1.48 million plus any associated administrative fees associated with doing that process. She noted one RMWD receives the funds, there is no requirement on RMWD nor is RMWD allowed to ask if these customers had any related COVID-19 reasons for not paying their bills. She pointed out there is a standard that whenever a debt is forgiven, it is taxable; however, now the State is stating these are not taxable for those getting their accounts credited, but this has not been made official. She reported staff is in the process of drafting a letter to be sent to the appropriate customers notifying them their accounts will be credited and once RMWD receives the funds. She also mentioned the matter of whether a 1099 can be sent to someone without a Social Security Number was being investigated. She pointed out direction was also provided by the State related to those accounts that have already been

submitted to tax roll and collection to which the State advised RMWD credit the accounts for future services.

Mr. Hensley inquired as to whether the amount being received matched what RMWD had anticipated. Ms. Largent explained this was the amount submitted by RMWD and appears to have been accepted by the State.

Mr. Nelson noted at a previous meeting, there was a conversation regarding customers being in arrears having the amount transferred to their property tax bill; therefore, he wanted to know if this would need to be unwound by RMWD. Ms. Largent explained the State has advised those customers reported to tax rolls be given a credit on their account and not pull the amount from the property tax bill. Discussion ensued.

13. AUDIT UPDATE

Ms. Largent stated this was the second year RMWD received a clean audit. She noted this year's audit was better than last year in that there were only two very small things left over from last year in the management letter. She said this mixed with the Comprehensive Annual Financial Report and the award received for such will really help bring RMWD's package forward to the bank for the water efficiency projects. She mentioned she met with Western Alliance Bank last week who have good rates available to the District right now and what projects that may be included in the funding package for the Board to consider.

Ms. Largent noted the next steps with finishing up the audit are reporting out the reserve balances to the committee and Board, update the fund balance projections, mid-year budget adjustments and any changes mentioned earlier.

Mr. Kennedy added some of the wholesale water efficiency projects being financed in this manner was due to the detachment; however, when SDCWA changed their rates in June very different discussions may be held with both this committee as well as the Board of Directors.

Mr. Nelson inquired as to the term of the financing. Ms. Largent stated she has not yet looked at the specific options. Mr. Nelson asked if RMWD should anticipate receiving lump sum funding as opposed to a series of smaller loans tied to each project specifically. Mr. Kennedy explained it would depend on the different options available.

14. SHUT OFF MORATORIUM UPDATE

Ms. Largent reported staff was prepared to proceed with shutoffs in the beginning of October at which time the Governor and legislature pushed that out to the end of December.

Mr. Rindfleisch asked about the program to reimburse past due water bills for water agencies across the state and whether it also applies toward other utilities. Ms. Largent stated she was not aware of the programs associated with other utilities.

15. WATER SERVICE UPGRADE PROJECT (WSUP) PROGRAM UPDATE

Mr. Williams reported the project is now 75% complete and that things continue to go very well. Mr. Kennedy added a great deal of data is being collected throughout the course of completing this project.

Mr. Hensley asked if it were found cases where piping would be at risk, would District staff reach out to the customer to offer some instructions. Mr. Kennedy stated in the event crew members found something of risk, staff would surely notify the customers. Mr. Williams added when RMWD and Concord crews are on location and note something interesting, they are in contact with the customers.

Mr. Nelson mentioned RMWD borrowed money for this project and asked if the nature of the loan is one in which the ultimate encumbrance by the District is how much is actually spent even though it may be less than the amount authorized by the lending authority. Ms. Largent explained RMWD took the entire amount and placed it in money market accounts on which the project costs are drawn down from; therefore, RMWD has been paying on the total amount of the debt but also getting interest on the amount not used or spent yet. Mr. Nelson asked if the project concludes as is being predicted and RMWD ends up spending \$1 million or more less than the amount for which the project is budgeted, what happens to the excess monies. Ms. Largent stated any budgeted monies not spent on the project will be brought to the committee and Board with options to consider.

Mr. Nelson stated although he was not advocating this, he wanted to know if the lending authority would most likely not have a problem with RMWD ultimately borrowing more than what actually expended on the project that is guaranteed by the savings. Ms. Largent stated she was making sure RMWD uses the actual lease for the draw down and the other one has more liberal uses. Mr. Kennedy explained why the lease may be more challenging due to restrictions.

16. DISCUSSION REGARDING POSSIBLE RESCHEDULING NOVEMBER 9, 2021 BUDGET AND FINANCE COMMITTEE MEETING

Ms. Largent noted she had originally suggested looking at possibly rescheduling the November 9th committee meeting because there is no November Board meeting so that she would have an opportunity to finalize and present the financial report to the committee prior to taking it to the Board at their December meeting. She noted this was not crucial, but rather a suggestion to provide an opportunity for the committee to review the audit and Comprehensive Financial Report packet before it is presented to the Board.

It was decided to reschedule the November 9, 2021, to November 16, 2021, at 1:00 p.m. Ms. Washburn agreed to send an email to everyone notifying them of this change as well as revise any calendars, etc.

Motion:

To change the Budget and Finance Committee meeting from November 9, 2021, to November 16, 2021, on a one-time basis.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 3).

Ayes: Member Rindfleisch, Member Hensley, Member Nelson.

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

Mr. Hensley asked what kind of rate RMWD receives on the money market account. Ms. Largent stated it was approximately 1.1%, but she will confirm.

Ms. Largent pointed out she will be adding a quarterly report related to project spending; however, she wanted to receive committee input as to whether this should be included in the fund balance projections or provided in a separate report. Mr. Nelson recommended all this information be included in the fund balance projections. Mr. Hensley agreed. Ms. Largent confirmed she would do the same for water and wastewater.

Mr. Kennedy noticed RMWD was down 6% year-to-date on water sales from last year. He explained the challenge will be if there is a dry winter again next year, the State will most likely force mandatory cutbacks. Mr. Hensley asked how RMWD forces customers to cut. Mr. Kennedy stated a whole series of steps are provided in the District's Urban Water Management Plan where it states if customers do not cutback, penalties will be imposed. He noted RMWD could also be penalized if its customers do not cutback in their water use. Mr. Hensley stated if the key is to impose penalties, are the fines large enough to be effective as opposed to customers being willing to pay extra to get the water. Mr. Kennedy agreed this was also part of the challenge and how SDCWA and MWD will charge RMWD more money that would turn be allocated to those customers who exceeded their allocation during the period of time established.

Mr. Nelson referenced Page 12 of the agenda packet inquiring as to whether the gross revenues being up by \$2 million over projection was correct. Ms. Largent explained this was seasonal with the numbers being for July and August. Mr. Nelson asked about the red line presented on Page 28 being below both the FY21 purchases as well as the 5-year average. Mr. Kennedy explained every month is 1/12 of the year so it always shows this way at the beginning of the fiscal year.

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

It was noted the review of the audit report, WSUP update, and SDCWA/MWD lawsuit payment distribution, and committee membership.

Mr. Kennedy announced this would be Mr. Rindfleisch's last meeting due him relocating to Arizona. He wished Mr. Rindfleisch well and thanked him for serving on the committee over the past several years. Mr. Nelson thanked Mr. Rindfleisch stating the committee will miss him. Mr. Rindfleisch stated his relocation was very unexpected, he will miss the committee very much, and thanked the committee for welcoming him in this capacity.

19. ADJOURNMENT

The meeting was adjourned by Member Nelson.

The meeting adjourned at 1:53 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary