

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
MAY 16, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on May 16, 2023, by Chairperson Nelson at 1:00 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 Hensley, Member Johnson, Member Nelson, Member Stewart, Member Townsend-Smith (*arrived at 1:02 p.m.*).

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

Absent: General Manager Kennedy.

Also Present Via Teleconference or Video Conference:

Human Resources Manager Harp, Administrative Analyst Barrow.

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**

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

5. **SEATING OF ALTERNATES**

No alternates were seated.

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

Member Townsend-Smith arrived at 1:02 p.m.

Ms. Largent stated Item #13 will be deleted due to becoming a Closed Session matter. She also noted Item #14 will be deferred to next month's committee meeting.

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

There were no comments.

***8. APPROVAL OF MINUTES**
A. April 11, 2023

Motion:

To approve the minutes.

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

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

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

9. GENERAL MANAGER COMMENTS

There were no comments.

10. FINANCE MANAGER COMMENTS

Ms. Largent referenced the rate information packet she, Ms. Harp, and a public relations consultant worked on preparing that was mailed out last week. She noted the packet includes information regarding the rates being proposed as well as how to participate in the June 27th rate hearing.

11. COMMITTEE MEMBER COMMENTS

Ms. Johnson told Mr. Gutierrez she found his recent article very impressive.

Mr. Hensley mentioned inquiries he received from his neighbors regarding how they can calculate increases to their water bills. Ms. Largent said RMWD's customer service team can be contacted for assistance or the customer may also look up their meter size and compare the fixed and variable rates for 2023 with the proposed 2024 rates.

12. FISCAL YEAR 2023-2024 OPERATING AND CAPITAL BUDGET PRESENTATION

Ms. Largent shared a presentation titled "Proposed Operating & Capital Budget, Water and Wastewater, Fiscal Year 2023/2024" noting although the assumptions from the Cost of Service Study were used for preparing the budget, some assumptions may need to be adjusted mid-year.

Ms. Largent reviewed the current financial position in terms of reserves. She noted it was important to refund the rate stabilization fund for five years. She pointed out the ideal targets are best practice in case of inflation spike, emergency, or unknown catastrophic events. She confirmed RMWD has depleted the rate stabilization fund and reserves were not where they should be.

Ms. Largent reviewed the water spending by category, acre feet of sales by customer class for the prior ten years as well as water purchases for the last twenty years. She pointed out the information provided for the net operating income is based on the proposed revenue increase generated by the proposed rate increase for July 1, 2023.

Ms. Largent spoke about the information provided for the water operating, wastewater operating, and general operating proposed budgets, respectively. She talked about the information provided for water capital projects, water projections, proposed water financial plan, wastewater capital projects, and wastewater projections. Mr. Nelson inquired as to what steps were taken to get such a positive budget result. Ms. Largent stated some vacated positions were left open as well as changes in salaries. Ms. Johnson inquired as to how this will impact overtime. Ms. Largent noted a full staffing analysis will be presented at the May 23rd Board meeting that will provide these types of details for each department.

Mr. Hensley inquired as to when the proposed rate increases would become effective. Ms. Largent stated they will be voted on by the Board at their June 27, 2023 meeting and any increases would be effective July 1, 2023.

Ms. Johnson asked whether more money may be needed to complete the Live Oak Park Road Bridge project. Ms. Largent explained there was \$200,000 budgeted for 2024 for finishing this project. Mr. Williams added this project was expected to be completed in March/April 2023, but due to a delay with the County it is anticipated to be completed in the next fiscal year. Discussion ensued.

Ms. Largent continued with the presentation noting the District was just over \$35M on the projected ending balance for all the water fund reserves in Year 5. She pointed out in FY23 the District will be at just over \$5M which was too low; however, as demonstrated in the graph, there was a plan to gradually increase this over the five-year period. She also provided details related to the wastewater capital fund project budget including proposing debt financing of \$5M to replenish reserves while new rates catch up, Citro CFD funds expected in April 2024, and additional debt financing is planned if developer fees remain stagnant. She concluded by noting that this whole budget assumes no developer fees and includes the rate increases being proposed.

Discussion ensued regarding debt financing options and challenges.

Ms. Largent solicited the committee for feedback at this time and will seek a recommendation from the committee at their June meeting.

Ms. Johnson asked what the top concerns would be related to the budget as well as the future of the District. Ms. Largent stated her number one issue is getting the reserves level up to the Board approved levels followed with balancing affordability while keeping the infrastructure in a state of good repairs.

Ms. Townsend-Smith recalled during discussions at the last Board meeting, it was stated there was a chance the rates for the average homeowner would increase by approximately \$15 and \$20 per month. Ms. Largent clarified this was correct for wastewater. She stated the bill impact to the single family, 3/4" average user would be approximately \$18 per month. She said she would include a generic average bill impact report for the next committee meeting.

Ms. Johnson inquired as to how many ratepayers do not have wastewater with RMWD. Ms. Largent stated there are approximately 3,200 wastewater connections and approximately 8,600 water connections. Mr. Williams added multiple developments would eventually connect to wastewater; however, these would not be accounted for until the projects happen.

Mr. Nelson asked if there was any value in indicating changes such as staff headcount, increased pipe and equipment purchases, etc. as has been presented in the past as part of the budget process. Ms. Largent stated there is value in reflecting on what was done over the year; thus, this information will be included in the full budget presentation that will be presented for adoption. She pointed out both the budget as well as the proposed rate increases will be presented to the Board in June; therefore, she does not want to duplicate too much. Mr. Nelson clarified he was trying to give Ms. Largent an opportunity for the Board and ratepayers to see what a good job Mr. Kennedy and RMWD staff have done to take substantial steps to keep everything level during a time of great inflation.

Ms. Johnson supported Mr. Nelson's comments and suggested the agenda for the May 17th Town Hall Meeting include sharing the staff's proactivity on addressing the very clear inflation, slow down in development, etc. and doing the very best to respond in a positive manner. She stated it was important to talk about these things to show how RMWD was working together as a community to continue to keep reserves in a healthy state as well as have the balance of affordability when there are aging pipelines and infrastructure repairs that need to be done.

Ms. Largent thanked the committee members for their feedback.

***13. TSLR HOA BILLING VARIANCE REQUEST**

This item was deleted under Item #6.

14. METER DOWNSIZE PRESENTATION

This item was deferred under Item #6.

15. DETACHMENT UPDATE

Ms. Largent referenced the short prospectus that was provided as a handout that summarizes what will be discussed at the LAFCO hearing related to the detachment that is scheduled for Monday, June 5, 2023, at 8:00 a.m. She mentioned there were efforts being made to get the meeting pushed out to 10:00 a.m. due to the difficulty of getting to the meeting from North County; however, that has not yet been confirmed. She noted there is a chance the vote may take place at a Special Council meeting in July depending on the amount of public comment received at the public hearing in June.

Mr. Nelson asked whether other agencies in California were also seeking something similar to RMWD's detachment. Ms. Largent said she had not heard of any. Ms. Johnson inquired as to whether a presentation was given at the ACWA Spring Conference. Ms. Largent stated there was not and how RMWD must be careful not to advocate. Discussion ensued.

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

Ms. Poole referenced Attachment D noting there was a slight positive; however, the red line was starting to curve back. She said it was hopeful variances from the prior year will close the gap in the next two months.

Ms. Poole complimented Ms. Montano and Mr. Cruz for their ability to decrease the monthly call volume significantly even though they were the only two customer service representatives during this time.

Mr. Nelson asked for clarification on some of the information contained in the finance packet. Discussions ensued.

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

It was noted that the budget and meter downsizing presentations are to be included on the next meeting agenda.

18. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 1:51 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary