

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
AUGUST 10, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on August 10, 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 *(arrived at 1:04 p.m. via teleconference)*, Member Hensley, Member Johnson *(via video conference)*, Member Nelson.

Also Present: General Manager Kennedy, Executive Assistant Washburn, Alternate Williams, Finance Manager Largent, Information Systems Specialist Espino.

Also Present Via Video Conference or Teleconference:

Senior Accountant Rubio, Information Technology Manager Khattab.

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 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. June 8, 2021

Motion:

To approve the minutes.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

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

9. GENERAL MANAGER COMMENTS

Mr. Kennedy provided an update on the Heli-Hydrant project as well as the Rainbow Heights Pump Station project.

10. FINANCE MANAGER COMMENTS

Ms. Largent announced RMWD received the Certificate for Achievement of Excellence in Financial Reporting for its annual financial report. Mr. Kennedy pointed out the progress made in the past few years has been significant due to the hard work of Ms. Largent.

Ms. Largent reported the annual tax roll assignment to the County Assessor's Office and how RMWD had a significantly higher amount of customers more than sixty days past due; therefore, the District has decided to raise the minimum threshold to \$2,000 and above balances as opposed to \$1,000 which resulted in 176 customers being sent to the County for tax assessment totaling approximately \$1.2 million. She pointed out RMWD was not able to do shutoffs in over two years whereas normally customers are notified they are at risk of being shutoff resulting in customers either paying their balances or get on a payment plan. She noted in May, customers past due were notified of being at risk of being sent to tax assessors and although quite a few customers responded, the number was significantly higher than in prior years.

Mr. Kennedy pointed out the Administrative Code currently states the District may file a tax lien for any amount overdue \$20.00; however, the threshold is usually held at approximately \$1,000. He noted due to RMWD being hamstrung since the Executive Order went into place, the number is much higher than usual.

Mr. Nelson asked whether increasing the minimum to \$2,000 in unpaid bills would diminish the take for the District due to some customers now not falling under the previous \$1,000 threshold. Mr. Largent stated there were approximately 100 more customers who fell under the \$1,000-\$2,000 level; however, those above the \$2,000 threshold made up 80% of the balance eligible to be sent. She explained once the moratorium expires, RMWD may be able to collect from those additional 100 customers, but if not, there is an individual process in place for RMWD to follow. Mr. Kennedy explained some of the steps involved with the individual process.

11. COMMITTEE MEMBER COMMENTS

Mr. Nelson shared how pleased he was with the recent RMWD Notice of Public Hearing, especially in the interest of transparency.

***12. VARIANCE REQUEST FOR CUSTOMER IDHE**

Ms. Largent explained the customer was requesting to downsize from a 1" to a 3/4" meter noting their monthly rolling average is 31 units per month which is well below the required 50 units.

Motion:

Recommending to the Board that they approve this variance.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

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

***13. VARIANCE REQUEST FOR CUSTOMER SALAWY**

Ms. Largent pointed out initially the recommendation was to recommend approving this request since it the customer's rolling usage 12-month average was slightly over the required; however, since then the rolling average has increased to well above the required threshold, staff has updated the recommendation to deny this request.

Ms. Johnson inquired as to whether the committee would be making a motion related to this item. Mr. Kennedy explained because the customer is slightly over, staff would recommend denying this request; however, the Board could accept it should they choose to do so.

Mr. Hensley asked if the committee votes to recommend the Board approve the request, how much would it cost the District. Ms. Largent answered approximately \$150 per month.

Ms. Johnson asked for clarification whether over the customer went over the average only one time. Ms. Largent explained they went over three times during the rolling twelve-month average which placed them over the required threshold. Ms. Johnson asked if RMWD was finding a larger percent of water usage over the last two months with all its water clients. Mr. Kennedy stated usage does generally increase during summer months which is why the twelve-month average is utilized in making these determinations accordingly to policy. He explained the past dry winter may have impacted the twelve-month average; however, should next winter not be dry, the rolling average may change at which time the customer could reapply.

Mr. Nelson inquired about the process as to whether staff presents the results of what is found during their analysis upon receipt of an application for a downsize. Ms. Largent explained this was not customary. Mr. Nelson said as part of RMWD speaking to transparency, he suggested providing feedback on the data results to the customer may be beneficial. Ms. Largent stated staff does share some information throughout multiple discussions with the customer throughout the processes. Mr. Nelson asked if the applicant will be surprised if the application is denied to which Ms. Largent replied they will not.

Mr. Hensley mentioned a recent news article related to how important it is to allow those who cannot afford their rent to not pay it. He said it could be quite possible for the same to happen with water agencies. Mr. Kennedy explained there is a program available through the County for individuals to apply for assistance with their water bills; however, these are mostly for low-income areas.

Motion:

That this committee support the staff recommendation to the Board that this request be denied.

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

Vote: Motion passed (summary: Ayes = 2, Noes = 1, Abstain = 1).

Ayes: Member Rindfleisch, Member Nelson.

Noes: Member Hensley.

Abstain: Member Johnson.

Mr. Nelson requested for a statement of fact regarding the committee's division based on the vote taken be provided in the updated report to the Board.

Mr. Kennedy confirmed this motion passed.

***14. VARIANCE REQUEST FOR CUSTOMER BONNER**

Ms. Largent stated this variance request was for a leak adjustment for an occurrence that took place in November 2020 when the customer's meter was moving intermittently. She explained staff conducted numerous service calls to ensure the meter was functioning correctly and notified the customer of such. She noted when the customer indicated they wanted an adjustment for the high bill in November, staff shared the policies and criteria required to be met per RMWD's leak adjustment policy including the leak has to be corrected within thirty days, customer must have taken responsible acts to mitigate the leak, the usage must be 50% more than that seasonal normal usage, and the repair needs to be completed within thirty days of an affected bill.

Mr. Kennedy pointed out the Board established the criteria for approving leak adjustments and how since this customer had not met the criteria, staff notified the customer their request would be denied at which time the customer decided to appeal to the Board. Ms. Largent stated although the adjustment was not a significant amount, staff still decided a leak adjustment should not be granted because the customer had not indicated a leak actually occurred.

Mr. Hensley inquired as to what the customer should have done to help verify the information provided in their letter. Ms. Largent explained the occurrence took place on the customer's side and have not demonstrated it was investigated properly. Discussion followed.

Ms. Johnson asked for verification the RMWD went out and checked the water meter and found it was functioning properly and how the customer has stated a leak was not found but was seeking an adjustment because the customer believes there was a leak. Ms. Largent confirmed. Mr. Kennedy pointed out the only adjustment mechanism allowed to be used at the staff level; however, the Board has discretion to do so. Ms. Johnson stated from her experience as a RMWD customer when a RMWD technician comes out to check a meter and finds it functioning properly, this discussion is done.

Motion:

That this committee recommend the Board disapprove this request.

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

Vote: Motion carried by unanimous roll call vote (summary: Ayes = 4).

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

15. EXPIRATION OF EXECUTIVE ORDER N-42-20 – WATER SHUT OFF MORATORIUM

Ms. Largent reported this moratorium will expire September 30, 2021, at which time RMWD will begin shutting off water. She pointed out there will be approximately 371 customers submitted for the shutoff process for a total of almost \$500,000. She stated staff does not plan to shut off this number of customers, but rather send them 15-day notices the shutoff moratorium is ending as well as 48-hour notices via Federal Express so a majority of the customers will reply by either getting on a payment plan or paying their bills. She noted these processes will start at the beginning of September to start the communications.

Mr. Kennedy expressed the importance of making everyone aware the expiration is coming; however, absent such direction specifically from the Board, staff intends to follow RMWD's Administrative Code and stat law. He noted the number of people in serious arrearage is exacerbated by there being no penalty for being in serious arrearage such as having their water service shut off. He pointed out the Executive Order may be extended but sending out notifications may motivate these customers to pay their bills.

Mr. Nelson inquired as to how many customers are in arrears. Ms. Largent confirmed approximately 370 customers were subject to the moratorium expiring with the majority owing \$500 or more with most being 60 days past due.

Ms. Johnson suggested starting the communication early would provide the best customer service to those impacted. Mr. Nelson agreed.

Ms. Largent thanked the committee for their feedback.

16. WATER SERVICE UPGRADE PROJECT (WSUP) PROGRAM UPDATE

Mr. Williams reported the project was 65% complete and 58% done with backfilling. Mr. Kennedy reported this project was delivering value as expected in terms of reducing water loss, increasing revenue, and decreasing costs for wholesale water purchases.

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

Ms. Largent pointed out the information in the reports was very preliminary as staff prepares for the year-end audit. She reported RMWD had ended the year with sales 16,246-acre feet which is significantly above the past two years due to the year being very dry. She mentioned the audit is expected to be completed the first week of September.

Mr. Kennedy mentioned the bids recently opened for the Rice Canyon Pipeline being executed through Tri-Pointe Homes through an agreement with RMWD to be built in conjunction with the development estimated to be approximately \$3.6 million came in at \$4.5 million with only two bidders with one being higher than this amount. He stated additional meetings will take place to review the bids in greater detail. Discussion followed.

Discussion ensued regarding the information provided in the reports as well as how water sales could be impacted both positively and negatively due to the current media reports related to climate changes.

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

It was noted updates on the water shutoff moratorium and audit as well as a rate hearing recap and a quick summary of what other volunteer committees are doing should be on the next agenda.

19. ADJOURNMENT

The meeting was adjourned by Member Nelson.

The meeting adjourned at 2:16 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary