

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
JULY 11, 2023**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on July 11, 2023, by Chairperson Nelson at 1:01 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 Townsend-Smith, Member Hensley, Member Nelson, Member Stewart.

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

Also Present Via Teleconference or Video Conference:

General Manager Kennedy, Alternate Williams, Grant Specialist Kim.

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**

There were no members of the public in attendance via teleconference or video conference; therefore, the instructions were not read aloud.

5. **SEATING OF ALTERNATES**

No alternates were 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 13, 2023

Motion:

To approve the minutes.

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

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

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

9. GENERAL MANAGER COMMENTS

Mr. Kennedy reported SDCWA was holding a board meeting on July 13, 2023 to discuss preparing to sue LAFCO as well as the analysis of their water purchase agreements.

10. FINANCE MANAGER COMMENTS

Ms. Largent stated the staff is currently working on the year-end processes as well as apologized for the delay in providing this month's financial packet. She explained the financial reporting module not working over the past week.

11. COMMITTEE MEMBER COMMENTS

Mr. Stewart said he found the proposed amendment made by one of the Commissioners at LAFCO's July 10, 2023, public hearing very interesting. He stated although it was decided to make the terms of the amendment a separate item at a future LAFCO meeting, it was related to SDCWA's Municipal Service Review. He noted even though he was surprised this matter came up at this hearing, he was not surprised there seemed to be LAFCO support for such.

12. WASTEWATER LOAN UPDATE

Ms. Largent explained the handout provided was the official board action letter based on the Request for Proposal staff put out for financing for finishing up the Thoroughbred Lift Station. She noted the wastewater reserve funds were identified as being low by the end of this project; therefore, staff wants to be sure to keep them up at the board-approved minimal levels. She noted the Request for Proposal was presented to ten different financial institutions to try to get them to submit proposals. She said of the ones received, the institution with the lowest rate was First American/City National Bank who does leases for different utilities in the local area as well as does not require deposits to be kept on-hand at the bank.

Ms. Largent stated the staff was seeking a recommendation from the committee that the Board authorize Mr. Kennedy to execute the loan for \$5M for ten years. She pointed out RMWD can lock in the rate without committing the loan until it is approved by the Board which would be 5.49%; however, this rate could fluctuate a little based on the index fund.

Mr. Stewart asked whether RMWD has a horizon for paying this loan back short of the term. Ms. Largent stated there are no prepayment penalty fees; therefore, it will be reviewed as part of the budget process each year to determine whether paying it off would be the best option.

Mr. Nelson inquired as to whether this was a collateralized loan. Ms. Largent confirmed it was and that a portion of the Thoroughbred Lift Station was being used as collateral. Mr. Nelson asked if the loan would be written in such a way that it clearly says that the collateral value declines as the loan is repaid and that RMWD was only obligated for the remaining balance of the loan. Ms. Largent said should RMWD pay the loan back early, they would take the net present value of the loan and calculate that out. She pointed out this would be the only wastewater financing RMWD would have in place.

Mr. Hensley asked about the second choice. Ms. Largent said her second choice would be Western Alliance; however, they may require RMWD to have the deposits on file with their institution as well as had a higher interest rate.

Motion:

To accept the proposal.

Action: Approve, Moved by Member Hensley, Seconded by Member Townsend-Smith.

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

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

13. DETACHMENT UPDATE

Mr. Kennedy reported LAFCO voted 5-3 to approve the detachment with an exit fee at their July 10, 2023, public hearing. He noted the next phase will be the 30-day period where any party can request a reconsideration; however, to do so would require some new topic or information that LAFCO has not already received or reviewed. He stated after the 30 days lapses, steps will be taken to determine whether the elections will take place.

Mr. Kennedy reiterated SDCWA will have a meeting during which time they will seek approval to sue LAFCO based on CEQA processes; however, this has already been discussed and determined that an issue does not exist related to CEQA. He pointed out SDCWA had an item on their agenda to get authority to initiate litigation last month; however, enough other members of the board left the Closed Session resulting in a lack of a quorum preventing action from being taken.

Mr. Kennedy thanked all the Board, staff, and committee members for their tireless work on the detachment efforts. Mr. Nelson commended Mr. Kennedy for leading this charge and being successful in doing so. Mr. Stewart echoed Mr. Nelson's comments to Mr. Kennedy as well as Mr. Bebee.

Mr. Hensley asked if the exit fees will be problematic when water sales are decreasing. Ms. Largent stated she has updated the CY24 savings and found it will be approximately \$9.6M; therefore, after the annual payment to SDCWA, there will still be significant savings. Mr. Stewart noted there was also a credit issued in the amount of approximately \$40M for projects which both RMWD and FPUD contributed to that were never undertaken by SDCWA.

Ms. Townsend-Smith inquired as to whether RMWD was safe from litigation. Mr. Kennedy clarified the only action SDCWA can take would be to sue LAFCO because the opportunity to sue RMWD or FPUD has expired. Ms. Townsend-Smith asked if this would cause the detachment to be delayed. Mr. Kennedy stated it would depend on whether the court puts a stay on the proceedings until the matter is resolved; however, RMWD and FPUD will resist this type of action.

He also noted that should SDCWA bring up the matter of the exit fee, RMWD and FPUD will work with the court to make the exit fees brought to zero.

14. REVIEW OF THE MONTHLY BOARD FINANCE PACKET

Ms. Poole reported RWMD ended FY23 with just under 12,000-acre feet in sales, which is lower than originally budgeted. She noted the budget to actuals are preliminary and non-audited numbers due to the need to complete several journal entries. She also expressed appreciation to the customer service team for reducing the average monthly call volume.

Mr. Nelson inquired about the change in net position to be in the positive per Attachment A. Ms. Largent explained there will be some expenses that will be accrued back. She reiterated Ms. Poole's comments noting these numbers are preliminary.

Mr. Stewart stated he recalled RMWD was right on mid-fiscal year. He asked if the trend changes due to the winter months being rainy. Ms. Poole explained RMWD was in line with FY22 purchases in December; however, sales have remained low for several months. Discussion followed.

Mr. Nelson referenced Pages 2 and 4 of Attachment A as he asked for assistance in reconciling the different categories provided. Ms. Largent explained Page 2 was for water operating and Page 4 was wastewater operating. Discussion ensued.

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

There were no items suggested; therefore, it was decided there may not be a need to meet in August.

16. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 1:34 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary