

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APRIL 12, 2022**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on April 12, 2022 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 Nelson, Member Hensley, Member Stewart.

Also Present: General Manager Kennedy, Finance Manager Largent, Senior Accountant Rubio, Operations Manager Gutierrez, Information Technology Manager Khattab, Human Resources Manager Harp.

Absent: Member Johnson, Alternate Williams.

Also Present Via Teleconference or Video Conference:

Grants Specialist Kim, Human Resources Assistant Ramirez, Construction and Meters Supervisor Lagunas.

Two 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 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. March 8, 2022

Motion:

To accept the minutes as written.

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

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

Ayes: Member Hensley, Member Stewart, Member Nelson.

Absent: Member Johnson, Alternate Williams.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy announced the Association of California Water Agencies (ACWA) has selected RMWD as a finalist in an Innovation Award for the Heli-Hydrant project. He noted Director Gasca will participate on a panel and share some information and slides related to the project. He said whether or not RMWD is selected as the final award winner, it is nice to be recognized for this project. He also noted he will be filling in for Mr. Gutierrez at the annual American Water Works Association Conference to present on this project as well as mentioned RMWD will also be leveraging some of this for additional funding through Cal OES.

Mr. Kennedy also noted RMWD and FPUD have been billed for \$37,000 in additional costs associated with the professor, Dr. Hanemann, LAFCO hired to conduct a report associated with RMWD's application for detachment from SDCWA. He stated although these additional costs were unexpected, they will be paid; however, a letter has been sent to LAFCO notifying them that RMWD's and FPUD's teams will stop responding to this since it is no longer adding value to LAFCO's decision-making process.

Mr. Hensley inquired as to the response provided by Dr. Hanemann. Mr. Kennedy stated there were many aspects of the report with which RMWD and FPUD agreed with, except for the costs involved for producing the report as well as the proposed exit fee.

10. FINANCE MANAGER COMMENTS

Ms. Largent reported staff has started doing lock offs this month with forty for Cycle 1 of which twenty-five remain locked off with eleven of those having homes on them that will be followed up on. She also noted ninety-six shutoffs will take place today for Cycle 2 which has derived a great deal of traffic and increased call volume as well as there are sixty shutoffs scheduled for Cycle 3. She pointed out although these numbers tend to decrease a bit as the deadlines for payment approach, the reason for so many is mostly due to the moratorium that was in place for quite some time.

11. COMMITTEE MEMBER COMMENTS

There were no comments.

12. DISCUSSION AND POSSIBLE ACTION TO APPOINT COMMITTEE OFFICERS (VICE CHAIRPERSON)

Mr. Nelson noted Ms. Johnson's term as Vice Chairperson expires this month; therefore, this item provides an opportunity to reappoint Ms. Johnson or select someone else to serve in this position.

Motion:

To reappoint Member Johnson as Vice Chairperson.

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

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

Ayes: Member Hensley, Member Stewart, Member Nelson.

Absent: Member Johnson, Alternate Williams.

13. BUDGET PREVIEW

Ms. Largent shared a presentation titled "Fiscal Year 2022-23 Rainbow MWD Operating Budget & Capital Improvement Plan Assumptions". She reviewed operating budget assumptions in terms of the water demand budget, variable rate revenue, fixed rate revenue, and rate increases. Discussion ensued.

Ms. Largent talked about the water fund reserve level as well as the estimated rate increases based on the two different supplier scenarios. Discussion followed.

Ms. Largent continued with reviewing the information provided related to the operating budget assumptions including wholesale water costs, SDCWA fixed cost, SDCWA variable costs, and MWD variable cost. Mr. Nelson asked if the projections were designed to be conservative and based on a worst-case scenario. Ms. Largent confirmed this was correct. Discussion ensued.

Ms. Largent noted the variable revenue by rate class had shifted some this year due to the PSWAR change; however, the overall mix was approximately 60-40.

Ms. Largent reviewed the capital budget assumptions including the proposed five-year plan, funding, and capital outlay noting she was working closely with engineering to validate all the developments and the scheduling is accurate to ensure RWMD would be receiving \$12.9M in forecasted capacity fees. She talked about the information contained in the Water Capital-Fund 60 Projected Balance.

Mr. Nelson asked what happened to the surplus money for the Water Service Upgrade Project. Ms. Largent explained a great deal of that savings was seen indirectly through operating expenses due to utilizing in-house labor. Discussion ensued regarding how this could possibly be reflected in the financial spreadsheets. Mr. Kennedy offered to have staff bring back a more detailed analysis which may tie into more of the insourcing capital project work.

Ms. Largent concluded her portion of the presentation noting more details will be brought back to the committee next month before turning the presentation over to Ms. Harp to review the staffing analysis preview.

Ms. Harp provided a preview of the high-level overview of the possible recommendations being considered for the staffing analysis to be brought to the Board for consideration in May. She explained the items taking into consideration in conducting the staffing analysis preview as well as shared how predictions were made related to prioritizing positions for the staffing continuity plans as well as how to best plan for anticipated retirements, opportunities to in-source, as well as the capacity needed to support the projects related to wholesale water efficiency projects.

Ms. Harp reviewed the total overtime by departments, primary sources of overtime district-wide in 2021, as well as the average overtime per employee by department. Discussions ensued.

Ms. Harp shared information related to retirement eligibility, the Staffing Continuity Plan: critical Position Inventory, drivers of staffing needs for FY 22-23, as well as staffing solutions under consideration. Discussion followed.

Ms. Harp solicited for comments and input from the committee members.

Mr. Hensley asked for clarification that if an outside contractor is hired, it would cost three times more than utilizing internal crews for construction projects. Mr. Kennedy explained this was true based on the initial analysis conducted; however, the cost per foot throughout the industry would need to be validated. Discussion followed.

Ms. Largent stated these same assumptions would be presented to the Board in April.

14. DEBT ISSUANCE UPDATE

Ms. Largent reported RMWD received the \$10 million which has been deposited in the bank. She noted the loan closed at 4.02% interest.

***15. CUSTOMER DOWNSIZE REQUEST – KITCHINGMAN**

Ms. Largent explained this request was from a 1.5" meter to a 1" meter. She stated according to the application, the owner states his usage would not have been as much if his pipes had not broken; however, due to the 12-month average usage totaling more than the 80-unit requirement for a 1" meter, staff was recommending the Board not grant this variance and downsize request.

Mr. Nelson referenced the list of monthly usage noting how the number units utilized dramatically increased after October 2021 and asked whether this would be indicative of a leak. Ms. Largent stated the owner did report incurring a leak; however, there was other sporadic usage. She noted staff would be recommending to the customer how much their monthly average should be to receive approval for the variance once their read for April is complete.

Motion:

To recommend the Board support Staff's recommendation Option 2 – Deny the downsizing request.

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

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

Ayes: Member Hensley, Member Stewart, Member Nelson.

Absent: Member Johnson, Alternate Williams.

***16. CUSTOMER VARIANCE REQUEST - D'ADDAZIO**

Ms. Largent explained this customer was requesting new service and are asking for a meter size smaller than that recommended for their parcel size. She noted the customer has 2.17 acres and would like to reply for a 3/4" meter while they only have plants or agriculture use. She pointed out there is not a pass precedence allowing a customer to choose purchase a smaller meter size without usage history; therefore, staff believes this would be a departure from the recommendations from the capacity class study and set fees. She stated staff was not recommending granting this variance.

Mr. Hensley asked how staff knows the customer does not qualify for what they are seeking. Ms. Largent explained RMWD's capacity class study was conducted based on the amount of usage likely to occur for a lot size and how for a lot this size, it is recommended the customer have a 1" meter. Mr. Hensley inquired as to how long would the customer have to wait to show low usage before having the opportunity to make a downsize request. Ms. Largent stated there is a twelve-month requirement for all customers. Discussion followed.

Motion:

To recommend the Board support Staff's recommendation Option 2 – deny the variance request.

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

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

Ayes: Member Hensley, Member Stewart, Member Nelson.

Absent: Member Johnson, Alternate Williams.

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

Ms. Rubio pointed out key highlights included in the finance packet.

Mr. Nelson asked whether employee compensations provided on Page 26 of 59 includes paid time off. Ms. Rubio confirmed paid time off is included in regular salaries.

Mr. Nelson reference Page 34 of 59 as he asked for clarification related to the two-year tale of \$250,000 per year. Mr. Kennedy and Ms. Largent stated they would need to reach out to engineering for additional information related to this matter.

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

There were no agenda items suggested for the next committee meeting agenda.

19. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:28 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary