

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APRIL 13, 2021**

1. **CALL TO ORDER:** The Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on April 13, 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. *(Due to COVID restrictions the meetings are being held virtually.)* Chairperson Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Hensley *(via video conference)*, Member Johnson *(via video conference)*, Member Nelson *(via video conference)*, Alternate Williams *(via video conference)*.

Absent: Member Rindfleisch.

Also Present Via Teleconference or Video Conference:

General Manager Kennedy, Executive Assistant Washburn, Finance Manager Largent, Senior Accountant Rubio, Information and Technology Manager Khattab, Information and Technology Specialist Espino.

Three 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**

Mr. Williams was seated as an alternate until the arrival of Mr. Rindfleisch.

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

Mr. Kennedy suggested deferring Item #17 to May.

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

There were no comments.

***8. APPROVAL OF MINUTES**
A. March 9, 2021

Motion:

To approve the minutes as written.

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

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

Ayes: Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

Absent: Member Rindfleisch.

9. GENERAL MANAGER COMMENTS

Mr. Kennedy reported staff was working toward reopening the District and holding in-person meetings; however, until the CalOSHA restrictions are lifted, this may not be possible until May.

Mr. Nelson stated he finds the committee to work better collectively when able to meet physically. He asked Mr. Kennedy if he knew how many committee or staff members have been vaccinated without providing the names of those individuals. Mr. Kennedy said he knew approximately how many have received the vaccination; however, there are HIPPA rules preventing the District from asking individuals this type of information. Mr. Nelson asked if committee members were to voluntarily notify the District they have been vaccinated, what would preclude the District from holding in-person meetings. Mr. Kennedy explained the although the CDC has indicated it would be fine according to their regulations, CalOSHA has not adopted those same regulations as of yet which remains a challenge. Discussion ensued.

Mr. Kennedy pointed out there was some legislature currently under consideration allowing Board Members to attend public meetings with modifications to allow for participation from offsite.

Mr. Kennedy also reported it has been over a year since an application for detachment has been filed with LAFCO. He said it has been RMWD's hope to meet and speak with SDCWA constructively to reach some sort of shared view of the facts so the process at LAFCO could proceed more smoothly which appears to have been unsuccessful. He stated over the last few months there has been an increasing bit of information as well as misinformation communicated via news releases and presentations given to different community groups by SDCWA. He noted the ad hoc committee has been working on producing a public education campaign, the first of which he shared with the committee.

Mr. Kennedy pointed out it was important to note although RMWD has been trying to hold the line and absorbing the SDCWA and MWD rate increases as much as possible in terms of budgeting and forecasting, the reality was the District can no longer afford to do so. He said when looking at the future as well as the needs for pipeline rehabilitation projects, the financial impacts to fund those processes would either mean successfully detaching from SDCWA or water rates would need to be significantly increased.

Mr. Nelson inquired as to the status of the LAFCO application. Mr. Kennedy explained there has been some significant pushback on behalf of SDCWA on a variety of procedural matters which has resulted in LAFCO hiring a consultant to review all the technical data involved with this project causing a delay in the process. He stated it was hopeful the process would be sped up so the

Commission would have a staff report to consider in late Summer or early Fall 2021 and out to the public as part of the June 2022 Primary Election for a vote. He concluded with noting as of right now, it appears there would not be opportunity to save any money until the end of Fiscal Year 2023.

10. FINANCE MANAGER COMMENTS

Ms. Largent noted the interim audit has been scheduled for the first week of June and year-end for the second week in September.

11. COMMITTEE MEMBER COMMENTS

Ms. Johnson, Mr. Nelson, and Mr. Hensley voluntarily notified the District they have been vaccinated.

12. APPOINTMENT OF COMMITTEE OFFICERS (VICE CHAIRPERSON)

Mr. Nelson noted a vacancy was created by the recent resignation of Mr. Ross; therefore, an appointment for a Vice Chairperson would need to be made.

Motion:

To appoint Julie Johnson as Vice Chairperson.

Action: Approve, Moved by Member Hensley, Seconded by Alternate Williams.

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

Ayes: Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

13. BUDGET UPDATE

Ms. Largent noted meetings were being conducted with various members of staff as part of the budget process. She reported there would not be much change in assumptions from last year in operating expenses or projected sales for the next year. She explained there would be a long presentation at the next committee meeting regarding rates as well as the expectations for funding needs for the CIP. She said based on direction provided by the committee, she will finish the process and present the full budget immediately following.

Mr. Kennedy inquired as to whether the committee would like to continue the process of participating in a joint meeting with both the committee and Board members in June. He clarified the past processes. Mr. Nelson stated he would prefer the committee meet jointly with the Board in June.

***14. DISCUSSION AND POSSIBLE ACTION TO APPROVE A VARIANCE FROM ORDINANCE 19-04 TO ALLOW A LOT, LARGER THAN 0.5 ACRES, TO QUALIFY FOR CAPACITY CLASS "A", APPROVE AN ADDITIONAL SERVICE CONNECTION ON ONE PARCEL, AND APPROVE THE NEW WATER SERVICE REQUEST (DIVISION 1)**

Ms. Largent shared the action letter to be presented to the Board with the committee as she provided details related to the request from Mr. Church for variance from Ordinance No. 19-04. She noted this item was being presented to the committee for a possible recommendation to the Board to deny the request.

Ms. Johnson stated she agreed with staff's recommendation to deny the variance. Mr. Nelson concurred, but wanted some clarification regarding the facts surrounding this request. Discussion ensued.

Motion:

To recommend the Board support staff recommendation Option 2.

Action: Approve, Moved by Member Johnson, Seconded by Alternate Williams.

Vote: Motion passed (summary: Ayes = 3, Noes = 0, Abstain = 1).

Ayes: Member Johnson, Member Nelson, Alternate Williams.

Abstain: Member Hensley.

***15. DISCUSSION AND POSSIBLE ACTION TO APPROVE A VARIANCE FROM ORDINANCE 19-04 TO ALLOW A LOT, LARGER THAN 0.5 ACRES, TO QUALIFY FOR CAPACITY CLASS "B" AND APPROVE THE CAPACITY CLASS WATER USE AGREEMENT (DIVISION 2)**

Ms. Largent shared the action letter to be presented to the Board with the committee as she provided details to the request including that the customer was well below the 50-unit requirement within their 12-month rolling average. She noted this item was being presented to the Committee for a possible recommendation to the Board. Discussion ensued.

Mr. Nelson inquired as to why it appeared the applicant had not checked one of the required boxes on the application. Ms. Largent stated she will have this added when the agreements are finalized.

Motion:

To recommend the Board support staff recommendation Option 1.

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

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

Ayes: Member Hensley, Member Johnson, Member Nelson, Alternate Williams.

16. WATER SERVICE UPGRADE PROJECT (WSUP) UPDATE

Mr. Williams updated the committee as he reported the project was approximately 48% complete. He noted the next few routes will involve subdivisions which should result in the project moving much more quickly. He explained some of the steps taken to address issues related to having to have irrigation relocated where some new meters are being placed.

Mr. Nelson inquired about the progress being made on the unique meter replacements. Mr. Williams explained although these take longer, there are now line-item prices for everything accounted for now. Mr. Kennedy added there were some homes located in the Pala Mesa area that has boxes placed within the concrete that will need to be cut out.

17. BACKFLOW CHARGE INVESTIGATION UPDATE

This item was deferred per Item #6.

18. REVIEW THE MONTHLY BOARD FINANCE PACKET

Ms. Largent shared the finance packet to be presented to the Board on April 27, 2021. She referenced Page 24 noting the MWD damages check RMWD received totaling approximately \$1.3 million has been added, the projections include the mid-year budget adjustments as well as a projected increase in net sales.

Ms. Largent pointed out updates made to the Water Capital Projected balance related to capacity fees. Discussion followed. Mr. Kennedy pointed out the main message was to find the most effective way to address the aging system and finding the revenues to execute such. He reiterated holding the line on rates can only last so long. He stated that may need to be an interim step taken to keep things afloat during the detachment consideration process; therefore, some serious financial decisions may need to be made.

Mr. Nelson inquired as to why the transfer presented on Page 25 was highlighted. Ms. Largent explained this would have to change in order to fund the capital plan. Mr. Kennedy noted it also highlights the need for the detachment from SDCWA to occur for RMWD to avoid having to implement a steep increase in water rates.

Ms. Largent pointed out RMWD remains above the five-year demand average. She also noted the addition of the Usage by Customer Class FY 20-21 was prepared upon a request for additional information which has also resulted in preparation of a YTD Usage by Customer Class report which will be added to the agenda packet going forward.

Discussion ensued regarding the information contained on Page 18.

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

It was noted a rate presentation, budget update, WSUP update, backflow charge investigation process update, and headquarters development study update should be on the next agenda.

20. ADJOURNMENT

The meeting was adjourned by Chairperson Nelson.

The meeting adjourned at 2:05 p.m.

Flint Nelson, Committee Chairperson

Dawn M. Washburn, Board Secretary