

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
JUNE 25, 2024**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on June 25, 2024, was called to order by President Hamilton at 1:00 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Hamilton presiding.

2. **ROLL CALL:**

Present: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

Also Present: General Manager Wiley, Legal Counsel Smith, Chief Financial Officer Aragon, District Secretary Quintanar, Engineering and CIP Program Manager Williams, Administrative Services Manager Harp, Information Technology Manager Khattab, Administrative Analyst Weber, Safety & Risk Management Officer Johnson

**Also Present Via
Teleconference or**

Video Conference: Administrative Assistant Montano, Administrative Analyst Barrow, Chief Operating Officer Gutierrez, Sr. Project Manager Tamimi, Customer Service Representative Resendiz, Adriene Henderson – Willdan Financial Services, Daniel Louie – Willdan Financial Services

Members of the public were present via teleconference or video conference.

3. **PLEDGE OF ALLEGIANCE**

4. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA**

There were no changes.

5. **APPROVAL OF THE AGENDA**

Motion

To approve the Agenda as presented.

Action: Approve, Moved by Director Mack, Seconded by Director Johnson

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

6. **PUBLIC COMMENT**

Instructions for providing public comment were verbalized for members of the public attending remotely. There were no requests to comment.

7. EMPLOYEE RECOGNITIONS

Mr. Wiley recognized the District's Safety and Risk Manager Luke Johnson for completion of ACWA JPIA's Supervisor Basics Certification Program. Mr. Johnson is a great leader and is appreciated for his efforts to keep staff safe.

8. COMMITTEE MEETING SUMMARIES

A. Budget and Finance Committee

Mr. Wiley reported on the items discussed at the June 19, 2024 meeting. The main topic of discussion centered around the proposed amendments to the Reserves Policy.

B. Engineering and Operations Committee

The July Engineering and Operations Committee meeting was cancelled.

C. Communications and Customer Service Committee

Ms. Weber provided a summary of the discussion of the June 18, 2024, meeting, where a new member, James Kozak was welcomed. A CropSWAP update was provided, future newsletter content, the Consumer Confidence Report, and media stories were shared. The students winning the poster awards will be recognized at next months' meeting. Discussion also took place regarding the Committee's attention to legislative matters in the future.

9. CONSENT CALENDAR

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Calendar, it shall be removed so that it may be acted upon separately.

A. Approval of May 28, 2024, Regular Board Meeting Minutes

B. Approval of Notice Of Completion And Acceptance Of Minor Facilities Constructed By Customers

Motion

To approve the Consent Calendar as presented.

Action: Approve, Moved by Director Mack, Seconded by Director Johnson

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

10. PRESENTATION ON THE CROPSWAP PROGRAM

Mr. Wiley provided an update on the level of participation. Since the program was launched on April 29, 2024, Rainbow customers submitted 35 applications. To date, \$236,000 in reserved grant funding has been approved for our agricultural customers for 12 projects. There are 11 additional applications in the approval process. Our early and consistent outreach efforts have earned a great response, and staff will continue to share information about the opportunities provided by the program. Types of projects being applied for are Crop Conversion, Avocado Rejuvenation, Uniformity Improvements, Soil Moisture Sensors, Scheduling Automation, Mulching, Nutrient Management, and Cover Crops. Some landowners have submitted multiple applications, and submittals have been received from customers within all five divisions of the

District. RCWD reserved two million dollars and the balance is split amongst participating agencies. All agencies have an initial reserve of \$200,000, and the remaining \$1.7M can be utilized on a first-come-first-served basis. Annually, there is a \$50,000 cap for each project. We will have an estimate of the value of the additional applications in the approval process at the next meeting.

11. PUBLIC HEARINGS

A. Discussion and Possible Action to Adopt Ordinance for ID 1 Standby Charges (O-24-02)

President Hamilton called the public hearing open at 1:22 p.m. Mr. Wiley explained that the Improvement District was established in 1995 to cover Metropolitan Water District of Southern California's readiness to serve charge. It is a fixed rate of \$10.54 per acre, which applies to the entire District, and has not changed since it was established. Mr. Aragon added that the charge also helps to cover those that benefit from water in the region who are not direct customers.

No written materials or comments had been received and there were no requests for public comment. With no additional questions, comments, or information from the Board or staff, the hearing was closed at 1:25 p.m.

Motion

To adopt Ordinance No. 24-02, establishing water availability charges for all of the Rainbow Municipal Water District Improvement District No. 1 for the fiscal year commencing July 1, 2024, and ending June 30, 2025.

Action: Approve, Moved by Director Johnson, Seconded by Director Dale

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

B. Discussion and Possible Action to Adopt a Resolution Establishing Water And Sewer Capacity Fees (R-2024-08)

President Hamilton called the public hearing open at 1:26 p.m.

Mr. Aragon reported that this increases capacity fees to account for inflation increases since 2017. These are one-time development charges, and the revenues help reduce rate increases. The draft resolution also has a new provision to automatically increase the fees annually until the completion of a fee study and Master Plan update. Staff met with the San Diego Building Industry Association on June 12, 2024, to brief them on the proposed increase and the decrease of an estimated 19% after the detachment. This was a topic of discussion over the past few months during the budget planning process.

No written materials or comments had been received and there were no requests for public comment. Brief discussion followed, and staff responded to questions posed by the Board of Directors. With no remaining questions or requests for public testimony, President Hamilton closed the hearing at 1:35 p.m.

Motion

To adopt Resolution No. 2024-08, Establishing Water and Wastewater Capacity Fees.

Action: Approve, Moved by Director Dale, Seconded by Director Townsend-Smith

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

12. ACTION ITEMS

- A. Consider Adoption Of A Resolution Implementing Annual Increase In Water And Wastewater Service Charges For Fiscal Year 2025, And An Ordinance Amending Ordinance No. 23-04, Revising Provisions Relating To Pass-Through Rates And Capacity Fees (R-2024-10) (O-24-08)

Mr. Wiley expressed his gratitude for the staff's focus on the best outcome for the District. Throughout the Workshop process, we received significant feedback from the Board and Committees, and staff worked hard to meet all of the expectations. He also relayed his appreciation for the time and commitment of the Board and Committees. Members of the Board also echoed their appreciation for the team.

Mr. Aragon reminded those present that discussions of the proposed budget had taken place in five public workshop meetings starting in February. The original estimated rate increases were minimized to 4.5% , half of the 9% approved last year for water for FY25, and 13% for wastewater. Since 2019, there has been a 24% increase in inflation but we've increased rates by 14% and have been using a significant amount of reserves up to this point. Offsets to the detachment savings, including exit fee payments, infrastructure costs associated with connecting to Eastern MWD and MWD, over 30% increases in energy costs, and increases in chemical costs are the reason for the 4.5% increase.

The proposed resolution implements the water and wastewater rate increases, and the proposed ordinance clarifies pass-through provision language in Ordinance No. 23-04. Brief discussion followed regarding messaging of this information for customers. Staff anticipates a 3.6% pass-through increase from MWD/EMWD on January 1, 2025.

Mr. Wiley provided an update on the progress of construction for the detachment, and a brief discussion followed regarding milestone goals, celebratory events, media coverage, and website information. The board relayed compliments to staff.

Motion

To Adopt Resolution 2024-10, Implementing Annual Increase In Water And Wastewater Service Charges For Fiscal Year 2025

Action: Approve, Moved by Director Johnson, Seconded by Director Hamilton

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

Motion

To Adopt Ordinance No. 24-08, Amending Ordinance No. 23-04, Revising Provisions Relating To Pass-Through Rates And Capacity Fees

Action: Approve, Moved by Director Mack, Seconded by Director Hamilton

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

- B. Consider Adoption Of A Resolution Approving The Fiscal Year 2024-2025 Operating & Capital Improvement Budget (R-2024-11)

Mr. Aragon reported that the proposed resolution approves the FY25 Annual Budget, which incorporates edits as discussed in the various stages of budget planning. Major assumptions and changes were described in detail in the meeting packet. Brief discussion followed regarding efforts and the timing of electric vehicle fleet replacements, charging stations, and pursuing funding over the next few years. We will be impacted when we need to purchase vehicles weighing 8,500 pounds or more. Mr. Williams added that the District has purchased some battery charged tools for landscaping already. Director Dale mentioned that Joe Garuba, of Helix Water District would be a good resource for compliance with California's advanced clean fleet regulation. Director Johnson requested recruitment of a grant specialist when funding is available.

Motion

To Adopt Resolution No. 2024-11, adopting the Fiscal Year 2024-25 Budget

Action: Approve, Moved by Director Dale, Seconded by Director Johnson

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

- C. Consider Adoption Of An Ordinance Revising Administrative Code Chapter 5.03, Section 5.03.220, Cash Reserves Policy (O-24-09)

Mr. Aragon reported that a key element of the comprehensive financial plan is our reserves. The proposed revisions include language requested during previous discussions. He highlighted the purpose for maintaining reserves, each representing steps toward the ultimate goal. The Minimum Target is for liquidity, which includes funds for working capital (cash flow) reserves. The Target Level is for stabilization, utilized for capital facility replacement and rate stabilization. The Maximum Target is for contingency, helping to cover unanticipated costs resulting from emergencies and covering uninsurable infrastructure. A comprehensive policy setting reserve levels is a key tool in providing justification for rates from a Proposition 218 perspective. The proposed policy prioritizes funds for working capital and debt service, provides for risk balancing, and is easy to implement. The ranges of the three targets are recalculated each year, based on the size of the budget and needs for infrastructure replacement. The plan moving forward is to review the policy along with budget review and planning, and potentially a mid-year review, subject to the Board's discretion. Reserve level information is included in the monthly Treasurer's Report for review. Mr. Wiley added that the policy allows the District flexibility, and the Board has discretion to take action to amend previously set targets.

Mr. Aragon shared some questions and discussions that took place during the Budget and Finance Committee's review of this information. Director Dale expressed a preference for a conservative approach and said she is very concerned about the impacts of SDCWA exit payments.

Motion

To adopt Ordinance No. 24-09 Amending Administrative Code Chapter 5.03, Section 5.03.220 – Cash Reserves Policy, as presented.

Action: Approve, Moved by Director Johnson, Seconded by Director Dale

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

- D. Consider Adoption Of A Resolution Establishing Classifications And Monthly Pay Ranges For District Employees And The General Manager Effective July 1, 2024, Through June 30, 2025 (R-2024-09)

Ms. Harp reported that this is an annual review and adjustment in preparation for the cost of living adjustments previously approved through the three bargaining units' MOUs. This year's change to the salary ranges is 3.2%, and several new classifications were added, the intern classification was moved down one grade, position series were created, and the custodian/warehouse position was added. There is no immediate fiscal impact, as pay adjustments are separate from the salary ranges. The MOU for the exempt group expires in a year, and the nonexempt bargaining unit MOUs expire the year after. There is a "Me Too" clause, including COLA and medical cost sharing, which will be discussed this year. MOU Terms are 4 years for exempt and 5 years for non-exempt groups. Staff also budgeted for a compensation study.

Motion

To Adopt Resolution No. 2024-09, Establishing Classifications And Monthly Pay Ranges For District Employees And The General Manager Effective July 1, 2024, Through June 30, 2025

Action: Approve, Moved by Director Mack, Seconded by Director Hamilton

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

- E. Consider Approval Of SD County Bonsall Park Quitclaim and Grant of New Easement

Mr. Williams explained that the County Parks Department owns that land and is building North County's largest park. They discovered our 14" water main is not within their easement. Over the past year, staff has been working with the County to implement a letter of understanding to establish a new easement covering the District's facilities and quitclaiming the old easement to allow for park construction in this area. The County has moved forward with design work and has granted us a pipeline easement but it is contingent on approval of the partial quitclaim of the easement that contains no facilities and is not needed by the District.

Motion

To approve SD County Bonsall Park Quitclaim and Grant of New Easement Action: Approve, Moved by Director Dale, Seconded by Director Johnson

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

Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale

- F. Consider Adoption Of An Ordinance Amending And Updating Administrative Code Chapter 3.01, Regular Meetings (O-24-10)

Mr. Wiley explained that this item is being brought back for consideration and the policy edits reflect changes resulting from meeting schedule adjustments. He indicated to the Board that the language clearly covers that the public may provide public comment on any matters appearing on the agenda, including closed-session items.

Motion

To Adopt Ordinance No. 24-10 Amending And Updating Administrative Code Chapter 3.01, Regular Meetings

Action: Approve, Moved by Director Johnson, Seconded by Director Dale

***Vote: Motion carried by unanimous vote (summary: Ayes = 5)
Ayes: Directors Hamilton, Johnson, Mack, Townsend-Smith, and Dale***

G. Discussion And Possible Action Regarding CSDA Board Of Directors Elections (Seat A)

Mr. Wiley reported that the District received letters of support from the Vista Irrigation District for Jo MacKenzie and from Valley Sanitation District on behalf of Jason Dafforn. Both candidates were spoken highly of. Director Dale motioned for support of Jason Dafforn, and Director Hamilton seconded. With Directors Townsend-Smith, Johnson, and Mack abstaining, the motion failed.

Motion

To authorize the General Manager to cast the vote at his discretion

Action: Approve, Moved by Director Johnson, Seconded by Director Townsend-Smith

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

Ayes: Directors Hamilton, Johnson, Townsend-Smith, and Dale

Noes: Director Mack

13. INFORMATION ITEMS

- A. Operations Report
- B. Engineering Report
- C. Administrative Services Report
- D. Finance Report

Mr. Aragon announced that water sales are increasing. System demands for June are over 20% above what we were last year during the same month and predict we will sell 10,000 acre feet. Director Johnson referenced the Treasurer's Report, pointing out that we have higher interest rates resulting from the movement of funds.

Mr. Williams provided an update on the West Lilac, Rancho Amigos, and Dentre De Lomas Pump Station projects. He answered several questions about logistics and innovative ideas utilized to ensure the success of critical path items.

Ms. Harp congratulated the Operations Department for, and announced there were no employee separations, but we are anticipating one retirement in the next fiscal year.

14. REPORTS & COMMENTS

- A. Legal Counsel's Report

Mr. Smith reported on SB 553, requiring development of a Workplace Violence Prevention Plan. He also provided an update on the Government Tax Payer Protection Initiative, which failed.

- B. General Manager's Report

Mr. Wiley announced that we submitted a request for a \$4M earmark for sewer improvements with Senator Laphonza Butler, and we have been notified that the request is moving to the Senate Appropriations Committee. So, there is a possibility that we may receive some grant funding. We also received a capacity fee payment from the Bonsall Oaks (Havens) development, in the amount of \$1.2M.

In the future, the Communications and Customer Service Committee will discuss legislative matters as part of its scope. A legislative policy is being drafted for Committee review.

Mr. Wiley reported that he attended the Rainbow Planning Group meeting last week. He provided an update on Rainbow MWD matters and received their feedback. Rainbow is also now an associate member of the San Diego Farm Bureau, and will continue share relevant information from that group with the Board.

C. Board Reports

1. SDCWA
2. CSDA
3. LAFCO
4. Santa Margarita River Watershed Watermaster Steering Committee
5. ACWA
6. Committees, Workshops, Seminars, Training

SDCWA took action to set the public hearing date for the rate increases for June 27, 2024. The City of San Diego suggested an option for cash flow issues by fronting fixed cost payments, and the SDCWA developed a program wherein fixed payments fronted for the next calendar year will receive a discount. They also approved the Pipeline 5 relining Project. They will attend the July Communications and Customer Service Committee meeting and the July Board meeting to provide information about that project.

15. BOARD MEMBER COMMENTS AND REQUESTS TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

There were none.

16. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING

There were no items requested.

17. ADJOURNMENT - The meeting was adjourned at 3:15 p.m. by President Hamilton to a regular meeting on July 23, 2024, at 1:00 p.m.



Terese Quintanar, District Secretary



Hayden Hamilton, Board President