

**MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING  
OF THE RAINBOW MUNICIPAL WATER DISTRICT  
JUNE 19, 2024**

1. **CALL TO ORDER:** The Adjourned Regular Budget & Finance Committee meeting of the Rainbow Municipal Water District was called to order on June 19, 2024, by Chairman Nelson at 1:01 p.m. in the Board Room of the District Office at 3707 Old Highway 395, Fallbrook, CA 92028. Chairman Nelson presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Members Nelson, Stewart, Hensley, and Townsend-Smith

**Also Present:** General Manager Wiley, District Secretary Quintanar, Finance Manager/Chief Financial Officer Aragon, Director Dale, Information Technology Manager Khattab, Construction and Meters Supervisor Lagunas, Engineering and CIP Manager Williams, Accounting Specialist Ashwell, Accounting Supervisor Poole

**Present Via**

**Teleconference or**

**Video Conference:** Administrative Manager Harp, Safety and Risk Management Officer Johnson

No members of the public were present in person, via teleconference or video teleconference.

4. **SEATING OF ALTERNATES**

There were no alternates seated.

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

There were no changes.

6. **APPROVAL OF THE AGENDA**

***Motion:***

***To approve the Agenda as presented.***

***Vote: Approval carried by unanimous vote (summary: Ayes = 4)***

***Ayes: Members Nelson, Stewart, Hensley, Townsend-Smith***

7. **PUBLIC COMMENT**

There were none.

8. **APPROVAL OF MINUTES**

A. February 13, 2024

***Motion:***

***To approve the Minutes as presented.***

**Action: Approve, Moved by Member Stewart, Seconded by Member Hensley**  
**Vote: Motion carried by unanimous vote (summary: Ayes = 4)**  
**Ayes: Members Nelson, Stewart, Hensley, Townsend-Smith**

## 9. COMMENTS & REQUESTS

### A. General Manager's Comments

Mr. Wiley provided an update on the CropSWAP Program. It has been very successful for Rainbow MWD, receiving thirty-five applications, twelve of which are already approved and inspected. The twelve approved total just under \$250,000 in grant funding and, in addition, there are twenty-three additional Projects in process. Six agencies are participating and Rainbow MWD has claimed its \$200,000 in initial reserve funds and is pursuing funding in addition to that. The majority of the applications are for avocado root stalk upgrades.

In regard to the detachment, construction of the pump stations are on schedule and estimated completion is the end of this year. Operations Plans are nearly finalized, and all agencies are in agreement with the technical components. SDCWA is holding a public hearing next week to consider an 18% rate increase, taking effect in January 2025, which Rainbow should avoid with detachment.

Mr. Wiley also shared photos of the middle fork of the Kings River, in the Sequoia National Park, which currently has a high volume of water flowing. Most reservoirs are full throughout the state. Environmental restrictions crossing the Bay-Delta were encountered due to steelhead found near pumps. Thus, the San Luis Reservoir has not received water as anticipated. Restrictions on groundwater recharge have been reduced, enabling a 4.1M AF increase in groundwater storage this year in the State. The State Water Project allocation is currently 40%.

### B. Finance Manager's Comments

Mr. Aragon reported on the close of the CFD for the Bonsall Oaks Development, resulting in the receipt of \$1.2M in capacity fees that was anticipated as part of the District's 5-year financial plan. System demands are tracking up, with 20% more in system demands so far in June, compared to last year for the same period. Overall investment strategies have changed to take advantage of government security money market programs at an interest rate above 5 percent. Two securities have been sold to make liquid funds more available for use or reinvestment.

### C. Committee Member's Comments

Mr. Wiley thanked the Committee for their participation in the budget workshops. The feedback and engagement was a great benefit to staff during this planning process. Member Nelson commented that the quality of staff's presentations during the budget planning process. He commented on how staff cares, is open to feedback, and reinforced his confidence that Committee input is important and valued here at Rainbow MWD. Member Hensley echoed the same sentiments. Member Stewart mentioned an article regarding a lack of available and qualified individuals to participate on boards and committees, statewide. He stated that we have a great committee structure, which encourages open discussion.

## 10. APPOINTMENT OF COMMITTEE VICE CHAIRPERSON

### **Motion:**

**To Appoint Member Stewart as the Vice Chairperson.**

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

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

**Ayes: Members Nelson, Stewart, Hensley, Townsend-Smith**

**11. REVIEW OF RESERVES POLICY**

Mr. Aragon reported that a key element of the comprehensive financial plan is our reserves. He presented a draft policy which incorporated language requested during previous discussions. The Policy target amounts are consistent with the rate study done last year. He highlighted the purpose for maintaining reserves, each representing steps toward the ultimate goal. He explained methods for calculating reserves, priority classification, and components. 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 minimizing rate increase burdens associated with major Capital Facilities Projects. Having a solid policy in place setting reserve levels reduces the District's risk of challenge. The proposed policy prioritizes funds for working capital and debt service, provides for risk balancing, and is easy to implement.

Director Dale opined that the "Target" level set of \$31.4M seemed high, asked if the \$11.2M cash reserve could be reviewed, and requested a more conservative approach for the next four years. Mr. Wiley responded that we will be dropping reserve amounts in year one with budgeted deficit spending, and the Reserve Policy will be reviewed each year during budget planning. The reserve level recommended for Stabilization is based on achieving the target within a ten year window. The Board will have full discretion on where we are each year and determine if changes resulting in revenue requirements to meet reserve targets is necessary. Mr. Aragon added that when we look at the five-year plan, an average of 4% rate increases is what is what projected to be necessary, but those rate increases would cover increased costs while detachment savings will help fund the rebuilding of reserve, among other priorities.

Vice Chairman Stewart opined that the current expenses related to the detachment are necessary but also a burden, as we are having to update our pump stations. Overall, the district-wide cash reserve target minimum is a worthwhile minimum, and he projected that it would not take more than a few years to get reserves back up to the median.

***Motion:***

***To Recommend adoption by the Board of Directors.***

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

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

***Ayes: Members Nelson, Stewart, Hensley, Townsend-Smith***

**12. REVIEW OF MONTHLY FINANCE PACKET**

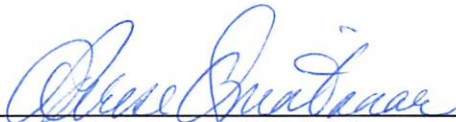
Mr. Aragon reported that formatting was changed to reflect usage by class. Staff will be providing more detail regarding monthly purchases in the future.

**13. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT MEETING**

The annual audit is underway. With no pressing issues for Committee consideration in the next two months, the Committee concurred with cancelling the July and August Committee meetings, and the next meeting will be on September 10, 2024. Monthly Financial Reports will be provided to Committee Members via email in the meantime.

**14. ADJOURNMENT To September 10, 2024 at 1:00 p.m.**

The meeting was adjourned by Chairman Nelson at 2:07 p.m.

  
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**Terese Quintanar, District Secretary**

  
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**Flint Nelson, Committee Chairperson**