

**MINUTES OF A SPECIAL MEETING  
OF THE FINANCE COMMITTEE  
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

**April 28, 2025**

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, April 28<sup>th</sup>, 2025, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 2:31 p.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst I.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Meyers moved to adopt the agenda, seconded by Director Maloni, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE FEBRUARY 10, 2025, REGULAR FINANCE COMMITTEE MEETING

Director Meyers moved to approve the February 10<sup>th</sup>, 2025, meeting minutes, seconded by Finance Manager Selamat who was acting Deputy Treasurer at the prior committee meeting. Director Maloni chose to abstain from approving since he was not in attendance at the February 10<sup>th</sup> meeting. Approval of the minutes passed without objection.

6. REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2025 AND 2026 AT MIDTERM

Finance Manager Selamat provided an overview of the midterm budget review process noting the end goal is to present an updated fiscal year 2026 budget to the Board for adoption that is consistent with OMWD's goals and objectives and based on current and available information. Finance Manager Selamat presented some highlights from fiscal year 2025. The District's financial position, fund balance performance, and accomplishments such as grant funding received and completed capital improvement projects were reviewed. Finance Manager Selamat reported the District's operating results are on track for fiscal year 2025 and the overall operating results are within budget this fiscal year.

Finance Manager Selamat next presented water delivery data illustrating that actual water sales are trending about 9% above budget for the current fiscal year due to drier weather conditions than seen in recent years. Consequently, the cost of purchased water is also ahead of budget due to the increase in water sales. Finance Manager Selamat added that the District has been able to minimize the increase in purchased water costs by pre-buying 3,449 acre-feet of untreated water from San Diego County Water Authority (SDCWA) at calendar year 2024 rates, per the purchase agreement. Director Meyers asked if the District has recognized the full savings from the pre-buy. Financial Analyst Graffam responded that the District has recognized some of the savings but not yet all due planned shutdowns at the District's water treatment plant but 100% of the cost savings will be utilized in the current fiscal year.

Finance Manager Selamat showed the committee the five-year history of fund balances by quarter, showing that the District is staying within the Board approved minimum and maximum limits. Director Meyers inquired if the limits were set at an appropriate level. General Manager Thorner explained that the fund balance minimum and maximum limits are set at a level that allows the District to have adequate reserves to cover temporary budget shortfalls and sustain operations without negatively impacting future water rates.

Finance Manager Selamat next presented the key assumptions for the fiscal year 2026 budget adjustment which included projected water sales, estimated revenue adjustments in water and wastewater, including pass-through increases and the 5.5% increase in wastewater rates effective July 1 2025, projected cost of purchased water increases, and a net 0% change to the departmental operating budgets compared to the Board's approved fiscal year 2026 budget included in the District's Biennial Budget that was adopted by the Board in June 2024. Finance Manager Selamat also presented the operating expenditure assumptions, noting that there will be significant increases to general liability and property insurance, outside services, and certain supplies as shown in the budget presentation.

Finance Manager Selamat noted that the goal of this year's midterm budget review is to keep planned increases in the District's operating costs at or below SDCPI (San Diego Consumer Price Index) increases. General Manager Thorner noted that District

operating costs will likely increase more than SDCPI for certain items due to recent tariffs being added to certain goods. Director Maloni asked why SDCPI is used as a metric to cap budgeted expenditures. General Manager Thorner responded that the District has used SDCPI historically as a way of controlling increases in expenditures and the District's Prop 218 notice uses SDCPI as a reasonable measurement on what the District is allowed to pass-through in rate adjustments each year for certain costs.

Director Meyers asked how the expected large increase in SDCWA purchased water costs affected the budget adjustment. General Manager Thorner explained that the increases were entered into the cost of water calculation at SDCWA's most recent proposed increase of 14%, however the District's Prop 218 notice limits the pass-through amount to customers at 12%. Director Meyers also asked about recycled water purchase costs. General Manager Thorner explained that most of the District's recycled water suppliers will increase their rates more than normal due to higher costs to produce recycled water. General Manager Thorner further noted negotiations with the District's recycled water suppliers are underway and expected to be completed by the end of calendar year 2025.

Finance Manager Selamat next presented a summary of the proposed changes to the fiscal year 2026 capital budget appropriations noting a \$20 thousand decrease to small equipment purchases and a net \$6.2 million decrease to the fiscal year 2026 water and wastewater capital appropriations. The large decrease in fiscal year 2026 appropriations is mainly due to timing of expenditures and construction delays to align several capital replacement projects at the District's David McCollom Treatment Plant (DCMWTP) with planned shutdowns at DCMWTP to minimize outage. Finance Manager Selamat noted that six new projects have been added to fiscal year 2026 by staff which is included in the \$6.2 million net decrease in appropriations for all projects. Director Meyers had questions and made comments on the data center project included in the new capital projects list for fiscal year 2026. Finance Manager Selamat responded that staff will address and provide more information about the data center project at the May committee meeting.

Finance Manager Selamat discussed a new debt issuance of \$6.5 million in 2026 to pay for increased wastewater planned capital expenditures to avoid spikes in the District's wastewater rates. Finance Manager Selamat added that the \$6.5 million debt issuance was contemplated and included by Raftelis, the District's rate consultant, in the 2024 Wastewater Rate Study Report. More information on this new debt issuance will be presented to the committee and the Board at a future meeting. Director Maloni asked about the impact of increased costs on future wastewater rates and available options for our customers. General Manager Thorner responded, and it was further discussed during the meeting.

At the end of the presentation, Finance Manager Selamat requested committee approval to bring staff's proposed changes to the current Board-approved fiscal year

2026 operating and capital budget before the full Board at the May board meeting for discussion. Finance Manager Selamat mentioned that the numbers presented are subject to change. Staff will continue updating the amended fiscal year 2026 budget as new information becomes available until adopted by the Board at the June meeting. Pass-through increases to OMWD water rates and charges to be effective January 1, 2026, will be presented to the Board for discussion in the July/August meetings. Director Meyers and Director Maloni agreed to bring the staff's proposed adjustments to fiscal year 2026 operating and capital budget at midterm to the May board meeting.

7. FUTURE AGENDA ITEMS/INFORMATION

Director Meyers requested more information on the data center CIP project that was added to the fiscal year 2026 budget. Staff plans to present this at the regular finance committee meeting on May 7<sup>th</sup>, 2025.

Information on a new Community Facilities District (CFD) will also be brought to the committee at the May 7<sup>th</sup> meeting.

8. ADJOURNMENT

The meeting was adjourned at 4:08pm.