

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

July 7, 2025

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, July 7th, 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 MAY 7, 2025, REGULAR FINANCE COMMITTEE MEETING

Director Meyers moved to approve the May 7th, 2025, meeting minutes, seconded by Director Maloni and carried unanimously.

6. CONSIDER AND DISCUSS OMWD'S WATER RATES AND CHARGES FOR CALENDAR YEAR 2026

Finance Manager Selamat presented an overview of the District's current rate ordinance and Proposition 218 notice, which allow the District to pass-through annual increases in purchased water wholesale costs from San Diego County Water Authority (SDCWA) and the District's recycled water suppliers, to pass-through any annual increase in the SDCWA Infrastructure Access Charge, and to pass-through increases to the District's

Costs of Operations and Maintenance and Capital Facilities based on SDCPI-U to the District's water rates and charges in order. Finance Manager Selamat stated that, per the ordinance, all pass-through increases shall not exceed 12% per year, and in no event shall any pass-through increase result in rates exceeding the District's cost of providing water services to its customers. Finance Manager Selamat noted that pass-through increases to the District's water rates and charges are necessary to pay for increased costs of providing water services to OMWD customers and that any adjustment to the District's water rates and charges still require Board approval and customers must be notified at least thirty days in advance prior to implementation.

Finance Manager Selamat next presented an overview of the 2026 purchased water wholesale cost increases from San Diego County Water Authority (SDCWA), increases in recycled water costs from the District's recycled water suppliers, and the inflationary pass-through based on the prior year's consumer price index increase for San Diego (SDCPI).

Director Meyers inquired about the large increases in recycled water purchase costs, and how the District's cost to supply potable water now compares to the District's cost to supply recycled water. General Manager Thorner noted that with the proposed increase by the city, the City of San Diego's recycled water supply rate is now equivalent to the cost to purchase raw water from SDCWA. General Manager Thorner explained that the District has an inactive raw water connection that can be turned back on to supplement recycled water demand in the southeast quadrant of the District's recycled water system if recycled water supply cost from City of San Diego continues rising and exceeds raw water cost. Director Meyers asked if we needed to be concerned about the District's other recycled water suppliers' plans for significant increases in the future. General Manager Thorner explained that City of San Diego is increasing its recycled water costs significantly due to their processed wastewater now being more valuable to them as a result of their pure water project. General Manager Thorner also noted that Rancho Santa Fe Community Services District does not have a wastewater outlet so selling their treated wastewater to the District saves them the cost of disposal. Director Maloni asked for the all-in-cost per acre foot, including fixed costs, for water purchased from SDCWA, to compare to the cost of purchasing recycled water. Accounting Supervisor Mendez noted the all-in-cost is about \$2,200. General Manager Thorner noted that the District's overall cost of recycled water purchases is offset by the recycled water produced by the District's own wastewater treatment plant.

Finance Manager Selamat then presented the committee with three rate increase options for consideration. Option 1 (preferred option) would pass-through 100% of the increase in purchased water wholesale costs and inflationary adjustments to the District's water rates and charges, Option 2 would partially offset the commodity rates increase by using approximately \$500 thousand in operating reserve funds, and Option 3 would partially offset the System Access Charge (SAC) increase by using approximately \$800 thousand in operating reserve funds. Finance Manager Selamat noted that all

three options presented also include a reduction in the Rate Reimbursement Credit (RRC) from \$0.22 to \$0.11 per the District's 2024 cost of service study, and each option would have the same recycled commodity rate and fire meter charge increase. Director Meyers noted that we sold more water last year than budgeted and inquired if excess revenue from FY 2025 can be used to offset the proposed rate increases. General Manager Thorner explained that excess revenue from FY 2025 water sales under option 2 and option 3 will be used to pay for revenue shortfalls in FY 2026. Also discussed during the meeting were the pros and cons of using reserves that would normally fund the District's Capital Improvement Projects, including funds available in the District's Rate Stabilization Fund, to offset cost increases and avoid rate spikes.

Finance Manager Selamat presented information on the impact of the rate increases on low-use customers, average-usage customers, and high-use customers. Director Meyers asked how many of our customers fall into each usage category. Finance Manager Selamat stated that about 20% of the District's customers are lower usage, 50% are average usage, and 30% are high usage. Director Meyers requested more information on customer usage for the presentation to the Board.

Director Meyers and Director Maloni both stated support for Option 1 but moved to have all three options presented to the full Board for discussion.

The Finance Committee directed staff to review OMWD's existing Board Designated Fund Balances (Reserves) Policy prior to setting 2027 rates, to include treatment of any excess funds in the Water Operating Fund to mitigate water rate increases.

7. FUTURE AGENDA ITEMS

Staff will bring the informational item on how other local water Board's handle Per Diems, that was requested at the May Finance Committee meeting, to the August Finance Committee meeting. Review of the District's Board Designated Fund Balance (Reserves) policy will be scheduled for a future finance committee meeting yet to be determined.

12. ADJOURNMENT

The meeting was adjourned at 3:50pm.