

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

October 4, 2022

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, October 4th, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

President Watt called the meeting to order at 10:00 a.m. In attendance were Lawrence A. Watt, Board President; Director Guerin, Board Treasurer, Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Guerin moved to adopt the agenda, seconded by Director Watt and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 9, 2022, REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the August 9, 2022, meeting minutes, seconded by Director Guerin and carried unanimously.

6. CONSIDER AND DISCUSS WATER RATES AND CHARGES FOR 2023

Finance Manager Selamat presented the Staff-proposed 2023 rate increases for potable and recycled water services, and OMWD fire meter charges totaling a 5.9% revenue adjustment, including the Rate Reimbursement Credit approved by the Board early 2022. Finance Manager Selamat noted the 5.9% revenue adjustment is above the original 5% increase planned for 2023. The planned 5% revenue adjustment was

forecasted as part of 2019 Water Cost of Service study and based on historic inflation rates.

Finance Manager Selamat reported the 5.9% revenue increase is primarily to pass-through purchased water wholesale cost increases from San Diego County Water Authority (SDCWA) effective January 1, 2023, and a 6.35% inflationary pass-through based on the over-the-year SDCPI-U increase. Finance Manager Selamat further reported that SDCWA's Board of Directors adopted a 3.7% increase to the County's "All-In" untreated cost per acre foot for calendar year 2023. However, since the actual impact of SDCWA water rate increases varies by each member agency from year to year, the SDCWA 3.7% "All-In" untreated cost per acre foot translates to a 7.5% per acre foot increase to the District's untreated supply rate from SDCWA, and a 1.3% increase in fixed charges from SDCWA effective January 1, 2023. Finance Manager Selamat also stated the District's blended recycled water supply rate already increased by 6.7% in July 2022.

Finance Manager Selamat then presented rate options to keep the District's revenue adjustment around 5%, despite the high annual inflation adjustment. The rate options presented were calculated by Raftelis (the District's Rate Consultant) using the \$499,000 available in the District's Water Operating (Revenue) Fund from attorney fee refunds received from SDCWA to offset (1) the District's System Access Charge by \$1.83 per meter per month, or (2) the District's Commodity Rate of 6.8 cents per unit, as a credit on customer's monthly water bill until the \$499,000 is depleted, which would be about one year. One other option discussed with the Committee and recommended by Raftelis was to postpone using the funds available in the District's Operating Reserves to help reduce the 2024 planned revenue adjustments instead. Finance Manager Selamat stated that purchased water wholesale costs from SDCWA will continue to increase in the future. Meanwhile, the District will have a higher inflation adjustment to pass through next year, which is estimated at around 8%.

Director Guerin commented that not all member agencies utilized rebate payments from SDCWA (specific to unlawful fees charged by MET) the same which has impacted rate comparisons among the different districts. General Manager Thorner responded that OMWD is the only district to spread the refund over 6 years to align with the number of years covered in the lawsuit. Therefore, many other districts may see higher rate increases as their rebate credits roll off.

Director Guerin stated she preferred the option of delaying the additional rebate credit until 2024 when pass-through costs are estimated to be even higher than in 2023. Director Watt added that as a Board member he tries to determine which is the best alternative for the rate payers and agreed that delaying the credit to 2024 would be most beneficial.

Both Director Watt and Director Guerin agreed to bring the proposed 2023 rates and alternative options for the rebate credit to the full board for consideration and discussion at the October 19 meeting.

7. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

8. ADJOURNMENT

The meeting was adjourned at 10:48 a.m.