MINUTES OF THE BUDGET AND FINANCE COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
OCTOBER 13, 2026

1. CALL TO ORDER – The Regular Budget and Finance Committee (B&F) Meeting was held in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028, with remote public participation information provided on the Agenda. The meeting was called to order at 1:01 p.m.

Directors Present: Hoffman, Hamilton (Alt)

Staff Present: General Manager Wiley, Information Technology Manager Khattab, Finance Manager Shilkov, District Secretary Quintanar

Additional Attendees: Bill Stewart

2. PUBLIC COMMENT

There were none.

3. DISCUSSION ITEMS

A. FY 2027 Reserve Targets Update

Finance Manager Shilkov relayed that in accordance with the Administrative Code, the reserve targets were reviewed. The District's reserve policy establishes minimum, target, and maximum reserve funding goals based on established timeframes. The minimum target reserves are intended to be funded within three years and include a Working Capital Reserve sufficient to cover three months of operating expenses and a Debt Service Reserve equal to one year of principal and interest payments. The target reserves are intended to be funded within ten years and include a Rate Stabilization Reserve equal to 10 percent of budgeted revenues and a Capital Replacement Reserve equal to one year of depreciation for assets with a 75-year useful life. The maximum target reserves are intended to be funded within twenty years and include Special Project Reserves and Emergency Reserves equal to one year of depreciation.

Mr. Shilkov also presented a calculation illustrating the various targets through fiscal year 2028. Mr. Wiley explained that the established timeframes for reaching reserve targets provide a framework for monitoring reserve levels and identifying when reserves fall below the minimum targets and allow the District to adjust within a relatively short period to get back on track. The Unrestricted Funds Treasury Report showed current reserve balances for the minimum through maximum targets compared to the unrestricted balance. Mr. Wiley added that capacity fee revenues are restricted and can only be utilized for Capital Projects. As projects move forward,

B. Monthly Finance Packet

Fiscal Year Water Sales through August totaled 2,857-acre feet (AF), or 26% of budget and the anticipated El Niño has been considered in the sales target. Departmental spending is trending below the anticipated budget, resulting in a net positive in revenue. Monthly call volume dropped in September. Mr. Wiley added that this year's water sales are higher at this point in the fiscal year than in the previous several years. Last year, we experienced a large increase in fees

charged by the City of Oceanside for wastewater services. This year, we anticipate the fees to be more in line with what was budgeted.

In an effort to obtain a clearer picture of the District's revenue position, Director Hamilton requested information to be presented as a graph comparing revenues and expenses, showing year-to-date versus projected revenues.

Mr. Wiley provided an update on several developer and District projects underway. The Community Facilities District (CFD) for the Ocean Breeze development, being formed through the SKIP State program, is near completion and the developer anticipates the issuance of bonds early in 2027. The CFD for the Haven's Development, being formed through the Bonsall Unified School District and Rainbow, has a similar timeline. Shutdowns are planned for connection to the District's system.

Regarding Rainbow Water Capital Improvement Projects, crews are replacing eight valves at the Turner Tank. The replacements are badly needed and will help with the connections needed by the Havens Development and will also accommodate construction projects such as the Wild Acres Pump Station. Multiple valve replacement projects have been completed this year. A new Utility Worker has joined the District and will provide additional support for these projects.

On the water and wastewater master planning process is underway. Once complete, wastewater projects will be identified, and a Capacity Fee Study is needed to ensure that capacity fees are set at appropriate levels. A brief discussion followed, regarding the District's operations and preparation for accommodating developments in the service area.

4. ADJOURN - The meeting was adjourned at 1:35 p.m.