

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578
VIA TELECONFERENCE AND IN PERSON**

**Pursuant to AB 3035, effective January 1, 2003, any person who
requires a disability related modification or accommodation in
order to participate in a public meeting shall make such a
request in writing to the District for immediate consideration.**

DATE: TUESDAY, JANUARY 24, 2023

TIME: 9:30 A.M.

PLACE: HYBRID REGULAR MEETING VIA TELECONFERENCE AND IN PERSON

Pursuant to the State of California Executive Order, and in the interest of public health, OMWD is temporarily taking actions to mitigate the COVID-19 pandemic by holding Finance Committee meetings electronically or by teleconference. This meeting will be a hybrid of, in person and teleconference. Our Boardroom will be open to the public.

To join this meeting via phone, please dial:

(669) 444-9171 or (669) 900-9128

Meeting ID: 821 4704 8738 and Password: 908016

*Note: Items On the Agenda May Be Taken Out Of Sequential Order As
Their Priority Is Determined By The Committee*

1. CALL TO ORDER
2. ROLL CALL (FINANCE COMMITTEE MEMBERS: TREASURER, BOARD MEMBER, AND STAFF APPOINTED BY THE GENERAL MANAGER)
3. ADOPTION OF THE AGENDA

4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 9, 2022
REGULAR FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (4TH
QUARTER 2022)
7. CONSIDER AND APPROVE STAFF'S PROPOSED POTABLE AND RECYCLED
WATER RATES AND CHARGES FOR 2023
8. FOLLOW-UP DISCUSSION ON FINANCIAL RATIOS PRESENTED BY THE PUN
GROUP, OMWD'S AUDITORS, AT THE DECEMBER BOARD MEETING
(INFORMATIONAL ITEM)
9. FUTURE AGENDA ITEMS/INFORMATION
10. ADJOURNMENT

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

November 9, 2022

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, November 9th, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

President Watt called the meeting to order at 10:30 a.m. In attendance were Lawrence A. Watt, Board President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clarke, Financial Analyst I. Also in attendance via teleconference were Kenneth Pun and Coley Delaney from The Pun Group, LLP, the District's auditors. It was noted that Director Guerin, Board Treasurer, was unable to attend the meeting. Per the District's Administrative and Ethics Code, Finance Manager Selamat acted as Deputy Treasurer for the meeting.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Finance Manager Selamat and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE OCTOBER 4, 2022, SPECIAL FINANCE COMMITTEE MEETING

Director Watt moved to approve the October 4, 2022, meeting minutes, seconded by Finance Manager Selamat and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2021-22 AUDITED FINANCIAL STATEMENTS

Finance Manager Selamat introduced Kenneth Pun and Coley Delaney from The Pun Group (the District's audit firm). Mr. Pun reviewed the audit process and discussed the

District's audited financial statements with the committee. Mr. Pun stated that there were no material findings during the audit and his team did not encounter any difficulties in performing their audit. He also stated that the District received a clean audit and no material weaknesses or significant deficiencies in internal controls were noted.

Mr. Pun reported that Governmental Accounting Standards Board (GASB) No. 87 – Leases went into effect during the fiscal year under audit and had a significant effect on the District's financials as of June 30, 2022, and that the prior year financials were restated to include GASB 87 adjustments for comparative purposes. Mr. Pun stated GASB 87 was created to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The resulting effect on the District's financials was the addition of a significant asset to recognize a receivable for future year lease payments per the contracts in place, offset by a deferred inflow for the lease payments. Finance Manager Selamat commented that the District has several multi-year cell tower leases with different carriers which is an additional revenue stream for the District, and the reason for the GASB 87 adjustments.

Mr. Delaney then presented an overview of the District's audited financial statements and other pertinent information, such as key financial indicators and pension information. Mr. Delaney noted the most significant variances from the prior year financials were the decrease in pension liability, increase in restricted cash from the issuance of the 2021A Bonds, and a negative fair market value adjustment on the District's investments due to changes in market conditions. Director Watt inquired as to the cause for the significant reduction in the net pension liability. Mr. Delaney responded that it has to do with the high return that CalPERS earned on its investments in fiscal year 2021 which reduced the pension liability for fiscal year 2022.

Director Watt asked what the key takeaways are from this year's financial audit. Mr. Pun responded that it starts with the tone at the top. The District has a supportive Board and a strong management team that focuses on sound financial reporting and effective internal controls. Mr. Pun further stated the District is financially strong and maintains its records for audit trails. Mr. Delaney added that the implementation of GASB 87 utilizing the District's internal resources is also noteworthy. Other audit clients would have already outsourced the task to consulting firms.

7. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (3RD QUARTER 2022)

Finance Manager Selamat reviewed the investment report as of September 30, 2022, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that staff has been transferring a portion of the District's investments in Local

Agency Investment Fund (LAIF) to California Asset Management Program (CAMP) for higher yields. Finance Manager Selamat stated that CAMP is more susceptible to change in market condition than LAIF since CAMP's portfolio is mostly short-term securities such as commercial papers and short-term corporate notes and bonds. Finance Manager Selamat also reported that the District had a significant fair market value adjustment which resulted in an unrealized loss on investments as of June 30, 2022. Finance Manager Selamat further explained that an unrealized loss from mark to market adjustments is not affecting the District's cash and has no impact on the District's cash flow because these securities will be held until maturity.

Finance Manager Selamat reported that the District's investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 120 days.

8. ANNUAL REVIEW OF INVESTMENT POLICY FOR 2023 AND DISCUSS PROPOSED CHANGES TO THE DISTRICT'S BOARD DESIGNATED FUND BALANCES (RESERVES) POLICY FOR 2023

Finance Manager Selamat reported that Richard Babbe with PFM Asset Management (PFM) reviewed the District's annual investment policy and concluded that the current policy is in compliance with California Government Code sections that govern the investment of public funds. Finance Manager Selamat stated the only proposed changes to the current policy is to extend the term of the policy until December 2023.

Director Watt inquired about Richard Babbe with PFM. Finance Manager Selamat responded that PFM is the investment agency overseeing the CAMP investment pool, and Mr. Babbe, PFM Senior Managing Consultant, is well respected and has been with the firm for over 25 years and has provided valuable feedback and investment advice to the District over the last 25 years.

Finance Manager Selamat then presented proposed changes to the District's Board Designated Fund Balance (Reserves) policy to add a Pension Stabilization fund within both the Water and Wastewater funds, and to be consistent with the Pension Stabilization policy adopted by the Board in June 2022. General Manager Thorner reiterated to the committee that the Board already approved the Pension policy in June, so staff is now revising the District's Board Designated Fund Balances (aka Reserves) policy to align with the District's Pension policy.

The proposed changes to both the Investment and Reserve policies were approved by the committee to be presented to the full board at its December 2022 meeting.

9. REVIEW STAFF'S REPORT ON THE DISTRICT'S PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2022

Finance Manager Selamat presented the District's pension funding status to the committee based on the most recent actuarial report available from CalPERS. Finance Manager Selamat reported the District's pension funding status as of June 30, 2021 (the most current available) was higher compared to fiscal year 2020 due to CalPERS' investment returns. Finance Manager Selamat then reported that for fiscal year 2022, CalPERS earned negative returns on its investment (-6.1%) due to changes in market conditions, which will result in a decrease to the District's pension funding status as of June 30, 2022.

Finance Manager Selamat also presented staff's recommended pension funding plans for 2022 which include: (1) making a \$311,000 Additional Discretionary Payment (ADP) before December 31, 2022 and (2) modifying the amortization schedule of the District's Unfunded Accrued Liability (UAL) over a period of 13 years or a 13-year "Fresh Start". Finance Manager Selamat mentioned that staff's recommended plans are consistent with the Pension Funding Policy and would result in an interest saving of approximately \$146,976 for the District. Staff also recommended that the committee consider a \$715,000 transfer from Water Operating Fund to Water Pension Stabilization Fund and a \$71,000 transfer from Wastewater Operating Fund to Wastewater Pension Stabilization Fund to pay for the \$311,000 ADP before December 31, 2022 and to provide funds for future ADPs so that the District will be able to achieve its pension funding target stated in the Policy.

Director Watt inquired as to what happens if the plan becomes super-funded (more than 100% funded) and if that has ever happened at the District. Finance Manager Selamat stated if that were to happen staff would bring it before the Board to determine how to best handle the excess funds. General Manager Thorner added that the District did reach super-funded status back in the early 2000's, along with many other districts and agencies throughout the state at that time, but has been below 100% since then.

The committee thanked staff for the presentation and recommended bringing before the full board for consideration at the December 2022 meeting.

10. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 12:08 p.m.

Memo

Date: January 24, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (4TH QUARTER 2022)

Purpose

The purpose of this agenda is to provide a verbal report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2022 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

Staff will be available for discussion with the Committee during the meeting.

Attachment: DRAFT Monthly Cash and Investment Summary Report as of December 31, 2022.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of December 31, 2022

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 5,975,324
Cash Restricted for Specific Use	5,546,880
Petty Cash/Disaster Preparedness	1,491
Total Active Deposits	<u>\$ 11,523,694</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	2,846,115
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<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 7,305,970	7,165,410	2.18%	\$ 7,305,970
CAMP - US Bank	22,880,832	22,880,832	4.30%	22,880,832
Money Market Funds	2,300,189	2,300,189	4.06%	2,300,189
Medium Term Notes	500,000	490,850	2.34%	497,940
Municipal Bonds	1,000,000	1,015,030	4.93%	1,216,760
U.S. Treasury Securities	14,200,000	13,885,790	3.65%	13,983,651
U.S. Agency Securities	33,426,111	30,528,049	0.73%	33,422,931
Total Investments	<u>\$ 81,613,102</u>	<u>\$ 78,266,149</u>	<u>2.59%</u>	<u>\$ 81,608,273</u>

Total - All Deposits/Investments

\$ 95,978,083

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	39.8%	\$ 32,486,991
Maturity within the next two months	2.4%	1,984,856
Maturity within three months and one year	16.1%	13,176,505
Maturity beyond one year	41.6%	33,959,922
Total Investments	<u>100.0%</u>	<u>\$ 81,608,273</u>

Weighted Average Days to Maturity

423

Other Required Disclosures:

Accrued interest receivable as of 12/31/2022 \$ 211,248

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2022.

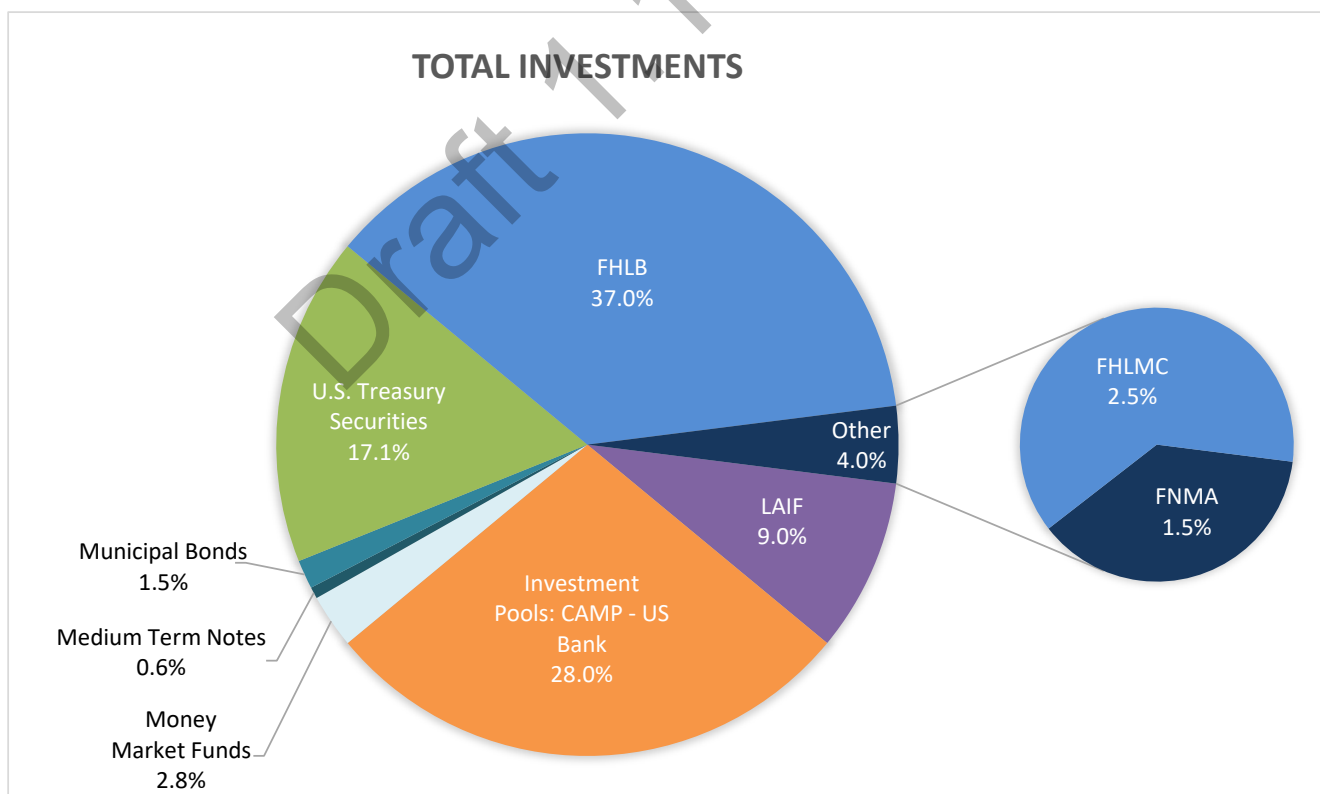
The District has sufficient funds on hand to meet the next 30 days' obligations.

Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
December 31, 2022

		Book Value	Percent	Permitted Percent		In Compliance?
LAIF		\$ 7,305,970	9.0%	50.0%	(1)	Yes
Investment Pools: CAMP - US Bank		22,880,832	28.0%	30.0%		Yes
Money Market Funds		2,300,189	2.8%	20.0%	(2)	Yes
Medium Term Notes		497,940	0.6%	30.0%	(3)	Yes
Municipal Bonds		1,216,760	1.5%	30.0%		Yes
U.S. Treasury Securities		13,983,651	17.1%	100.0%	(4)	Yes
U.S. Agency Securities		33,422,931	41.0%	50.0%		Yes
<i>FHLB</i>	<i>Federal Home Loan Bank</i>	30,173,111	37.0%			
<i>FNMA</i>	<i>Fannie Mae</i>	1,250,000	1.5%			
<i>FHLMC</i>	<i>Freddie Mac</i>	1,999,820	2.5%			
Total Investments		\$ 81,608,273	100%			

Note:

- (1) No more than 50% of the total value of all District Investments or \$40 million.
(2) May not exceed 5% in any money market fund.
(3) May not exceed 5% per issuer.
(4) No limit.



* Total may not add up to 100% due to rounding.

**Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
December 31, 2022**

ACTIVE DEPOSIT

	Book Value
Checking A/C: California Bank and Trust for General Purpose	5,975,324
California Bank and Trust for Specific Purpose	458,922
CAMP 2021A Bond	5,087,958
Petty Cash/Disaster Preparedness	1,491
Total - Active Deposits	11,523,694

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	267,483
Union Bank - 2015A Refunding Bond	932,436
SRF Loan	963,825
Union Bank - 2016A Refunding Bond	284,995
Union Bank - 2021A WW Revenue Bond	107,318
Union Bank - 2021B Refunding Bond	290,059

Total Deposits Not Covered by Investment Policy

2,846,115

	RATING	DATE	Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
	Moody's	S&P	Purchase	Maturity	Next Call	Next S-U			

INVESTMENTS

<u>Invest. Pools:</u> US Bank Calif. Asset Mgmt Prgm (CAMP)	Demand	1	4.30%	\$ 22,880,832	\$ 22,880,832	\$ 22,880,832
State Local Agency Investment Fund (LAIF)	Demand	1	2.18%	7,165,410	7,305,970	7,305,970
First American Government 31846V567	Demand	1	4.06%	2,300,189	2,300,189	2,300,189

U.S. Treasury Notes/Bills

912796XR5	U.S. Treasury Bills	Aaa	-	07/14/22	01/12/23	13	2.66%	2.66%	999,130	1,000,000	986,900
912796XZ7	U.S. Treasury Bills	Aaa	-	08/12/22	02/09/23	41	2.98%	2.99%	996,010	1,000,000	985,445
912796YA1	U.S. Treasury Bills	Aaa	-	08/18/22	02/16/23	48	3.05%	3.06%	995,030	1,000,000	985,036
912796YM5	U.S. Treasury Bills	Aaa	-	09/29/22	03/30/23	90	3.91%	3.95%	1,979,520	2,000,000	1,961,780
912796YN3	U.S. Treasury Bills	Aaa	-	10/06/22	04/06/23	97	3.94%	3.98%	1,186,980	1,200,000	1,176,886
912796YU7	U.S. Treasury Bills	Aaa	-	10/13/22	04/13/23	104	4.08%	4.12%	988,710	1,000,000	980,081
912796ZG7	U.S. Treasury Bills	Aaa	-	12/01/22	06/01/23	153	4.68%	4.77%	1,962,740	2,000,000	1,954,392
912796X53	U.S. Treasury Bills	Aaa	-	12/15/22	06/15/23	167	4.66%	4.76%	979,840	1,000,000	977,290
912796ZQ5	U.S. Treasury Bills	Aaa	-	12/22/22	06/22/23	174	4.65%	4.75%	1,957,200	2,000,000	1,954,680
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	09/30/24	640	0.50%	0.56%	891,060	1,000,000	984,478
91282BYH7	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26	1,156	1.50%	1.58%	949,570	1,000,000	1,036,684
						93	3.56%	3.65%	\$ 13,885,790	\$ 14,200,000	\$ 13,983,651

U.S. Agency Securities

3134GXKH6	FHLMC Callable	Aaa	AA+	01/27/21	01/27/23	01/27/23	28	28	0.13%	0.13%	997,090	1,000,000	999,820
3130AJZJ1	FHLB Callable	Aaa	AA+	09/02/20	08/25/23	Anytime	238	1	0.32%	0.33%	1,118,316	1,151,111	1,151,111
3130ASJ6	FHLB Callable	Aaa	AA+	05/24/22	11/24/23	05/24/23	329	145	2.50%	2.56%	537,411	550,000	550,000
3130ARYU9	FHLB Callable	Aaa	AA+	05/23/22	02/23/24	02/23/23	420	55	3.00%	3.07%	977,880	1,000,000	1,000,000
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	02/26/23	423	58	0.40%	0.42%	1,187,788	1,250,000	1,250,000
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/24	Anytime	423	1	0.22%	0.23%	948,090	1,000,000	1,000,000
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	03/03/23	521	63	0.40%	0.43%	468,790	500,000	500,000
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	03/10/23	528	70	0.30%	0.32%	936,950	1,000,000	999,000
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	03/16/23	626	76	0.50%	0.54%	928,610	1,000,000	1,000,000
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	03/17/23	657	77	0.50%	0.54%	925,700	1,000,000	1,000,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime	675	1	0.43%	0.47%	1,845,680	2,000,000	2,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	02/18/23	781	50	0.35%	0.38%	921,180	1,000,000	1,000,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	02/27/23	790	59	0.66%	0.72%	917,480	1,000,000	1,000,000
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/23	941	210	0.65%	0.72%	908,430	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	03/15/23	1,081	75	0.40%	0.44%	1,812,220	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	01/26/23	1,123	27	0.50%	0.56%	885,850	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/23	1,125	29	0.52%	0.59%	886,230	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/23	1,125	29	0.50%	0.56%	885,680	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	11/29/23	1,126	334	0.52%	0.59%	886,150	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	02/12/23	1,140	44	0.51%	0.58%	884,690	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	02/24/23	1,152	56	0.70%	0.79%	1,778,380	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	02/24/23	1,152	56	0.63%	0.70%	886,910	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,153	57	0.55%	0.62%	884,670	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,153	57	0.58%	0.65%	885,540	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,153	57	0.70%	0.79%	888,980	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/23	1,153	57	0.63%	0.70%	886,840	1,000,000	998,500
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	01/23/23	1,179	24	1.00%	1.12%	873,025	975,000	975,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	03/30/23	1,186	90	0.75%	0.83%	903,180	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	01/14/23	1,201	15	0.75%	0.83%	904,320	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	01/21/23	1,391	22	1.10%	1.24%	883,590	1,000,000	1,000,000
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	01/28/23	1,398	29	1.38%	1.54%	892,400	1,000,000	1,000,000
							897	2,001	0.67%	0.73%	\$ 30,528,049	\$ 33,426,111	\$ 33,422,931

Medium Term Notes

740816AJ2	Pres & Fellows of Harvard	Aaa	AAA	05/06/22	10/01/23	04/01/23	275	92	2.30%	2.34%	490,850	500,000	497,940
							275	46	2.30%	2.34%	\$ 490,850	\$ 500,000	\$ 497,940

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25		1,006		5.00%	4.93%	1,015,030	1,000,000	1,216,760
							1,006		5.00%	4.93%	\$ 1,015,030	\$ 1,000,000	\$ 1,216,760
							423		2.49%	2.59%	\$ 78,266,149	\$ 81,613,102	\$ 81,608,273

Total Investments

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 95,978,083

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
December 31, 2022**

PURCHASED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		Coupon	Yield		
12/01/22	06/01/23			U.S. Treasury Bills	4.680%	4.769%	2,000,000	1,954,392
12/15/22	06/15/23			U.S. Treasury Bills	4.660%	4.756%	1,000,000	977,290
12/22/22	06/22/23			U.S. Treasury Bills	4.650%	4.752%	2,000,000	1,954,680

MATURED / REDEEMED / CALLED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		Coupon	Yield		
12/15/22	12/15/22			U.S. Treasury Notes	1.625%	1.626%	1,000,000	1,007,330
12/01/22	12/01/22			U.S. Treasury Bills	1.553%	1.553%	2,000,000	1,984,631
12/22/22	12/22/22			U.S. Treasury Bills	3.200%	3.207%	2,000,000	1,984,335

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of December 31, 2022

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	1,491
10010-100	Cash - Operating Fund	17,655,187
10030-100	Cash - Capital and Equipment Fund	36,764,373
10040-100	Cash - Rate Stabilization Fund	11,800,581
10080-100	Cash - Pension Stabilization Fund	456,152
10060-100	Cash - Deposit Work for Other	109,656
14000-500	Restricted Cash - Capacity Fee Fund	5,594,756
Total Water Funds (Potable & Recycled)		<u>72,382,196</u>
 <u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	3,655,287
10030-110	Wastewater - Capital Replacement Fund	8,875,876
10040-110	Wastewater - Rate Stabilization Fund	2,627,027
10080-110	Cash - Pension Stabilization Fund	44,702
Total Wastewater Funds		<u>15,202,892</u>
 <u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	447,721
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
14020-521	Cash non-agent - Bond 2021A	5,087,958
Total Non Fiscal Agent Debt Service Cash		<u>5,546,880</u>
 <u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	963,825
14105-570	Redemption fund - RAD 96-1	201,355
14110-570	Reserve fund - RAD 96-1	66,127
14100-561	Redemption fund - Bond 2015A	932,436
14100-581	Redemption fund - Bond 2016A	284,995
14100-521	Redemption fund - CB&T 2021A	107,318
14100-522	Redemption fund - CB&T 2021B	290,059
Total Debt Service Funds		<u>2,846,115</u>
TOTAL FUND BALANCES		<u>95,978,083</u>

Memo

Date: January 24, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER AND APPROVE STAFF'S PROPOSED POTABLE AND RECYCLED
WATER RATES AND CHARGES FOR 2023**

A copy of staff's presentation is attached for discussion and consideration by the committee.

Staff will make a presentation to the committee and be available for discussion at the meeting.

These rates are consistent with what was presented to the Board in October of 2022.

Attachment: Presentation

Proposed 2023 Pass-Through Increases and Adjustments

Finance Committee Meeting
January 24, 2023



Reasons for 2023 Water Rate Increases

- Purchased Water Wholesale Pass-Through
 - SDCWA Supply Rate Increase of 7.5% effective January 1, 2023
 - SDCWA Fixed Cost Increase of 1.3% (excluding IAC) effective January 1, 2023
 - Recycled water suppliers' rate increases effective July 1, 2022
- Inflationary Pass-Through:
 - Based on over-the-year SDCPI-U increase for 2021: 6.35%
 - One year behind current inflation rate of 8% due to timing of pass through since 2019 cost of service
- Fire Meter Charge
 - Based on the 2019 Water Cost of Service Study and Prop 218 Notice

How did we get here?

- Proposed 2023 water rates and charges include pass-through increased costs in purchased water wholesale costs and the year-over-year increase in CPI (2022).
 - Combined this equates to a 5.9% revenue adjustment
 - Consistent with OMWD's rate ordinance adopted by the Board in 2019, December 2019-December 2024
 - Reviewed by the District's rate consultant, Raftelis Financial Consultants, Inc.
- Proposed 2023 water rates and charges were brought to Finance Committee and to the full Board in October 2022 for review and tentative approval
- OMWD water customers were notified in writing of proposed changes to water rates and charges at least 30 days prior to the effective date of new rates
 - January 2023 special edition of OMWD's newsletter (Watching Water)
 - More than a 30-day-written notice required by Prop 218
 - Proposed 2023 water rates and charges are also posted on OMWD website for public review
- As of 1/18/23, two verbal comments have been received on whether rates would be going up in 2023 – comments were not in dispute of the proposed rate increases.

Current and Proposed Commodity Rates:

Current Commodity Charge Effective March 1, 2022 (1 unit=748 gallons)				
	NON-SHORTAGE	WATER SUPPLY SHORTAGE RATES		
Customer Type	(Base) Rates	10% Demand Reduction Rates	20% Demand Reduction Rates	30% Demand Reduction Rates
Domestic				
0-6 Units	\$3.68	\$3.91	\$4.18	\$4.53
7-23 Units	\$5.34	\$5.57	\$5.84	\$6.19
23-80 Units	\$5.96	\$6.19	\$6.46	\$6.81
Over 80 Units	\$7.09	\$7.32	\$7.59	\$7.94
Agricultural	\$5.88	\$6.11	\$6.38	\$6.73
Combined Agricultural/ Domestic	First 23 units per month: Follow Domestic Rate Structure. Over 23 units per month: Follow Agricultural Rate Structure.			
Commercial	\$5.02	\$5.25	\$5.52	\$5.87
Irrigation				
Tier 1	\$5.65	\$5.88	\$6.15	\$6.50
Tier 2	\$6.04	\$6.27	\$6.54	\$6.89
Construction	\$7.16	\$7.39	\$7.66	\$8.01
Recycled	\$3.79	Shortage rates do not apply		

WE ARE
HERE



Proposed Commodity Charge Effective March 1, 2023 (1 unit=748 gallons)				
	NON-SHORTAGE	WATER SUPPLY SHORTAGE RATES		
Customer Type	(Base) Rates	10% Demand Reduction Rates	20% Demand Reduction Rates	30% Demand Reduction Rates
Domestic				
0-6 Units	\$3.92	\$4.15	\$4.42	\$4.77
7-23 Units	\$5.69	\$5.92	\$6.19	\$6.54
23-80 Units	\$6.35	\$6.58	\$6.85	\$7.20
Over 80 Units	\$7.55	\$7.78	\$8.05	\$8.40
Agricultural	\$6.26	\$6.49	\$6.76	\$7.11
Combined Agricultural/ Domestic	First 23 units per month: Follow Domestic Rate Structure. Over 23 units per month: Follow Agricultural Rate Structure.			
Commercial	\$5.35	\$5.58	\$5.85	\$6.20
Irrigation				
Tier 1	\$6.02	\$6.25	\$6.52	\$6.87
Tier 2	\$6.43	\$6.66	\$6.93	\$7.28
Construction	\$7.62	\$7.85	\$8.12	\$8.47
Recycled	\$4.04	Shortage rates do not apply		

Current and Proposed Irrigation Unit Allotments

No Proposed Changes

Current Irrigation Unit Allotments Tier 1 Allotment / Based upon water use by meter size		
Meter Size	Winter (Dec-May)	Summer (Jun-Nov)
5/8"	10	15
3/4"	20	30
1"	35	50
1-1/2"	50	110
2"	100	200
3"	200	500
4"	600	3,500
6"	3,100	11,800
8"	5,600	21,300

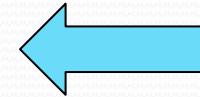
Please contact the District for allotments for larger meter size

Proposed Irrigation Unit Allotments (No Changes are Proposed) Tier 1 Allotment: Based upon water use by meter size		
Meter Size	Winter (Dec-May)	Summer (Jun-Nov)
5/8"	10	15
3/4"	20	30
1"	35	50
1-1/2"	50	110
2"	100	200
3"	200	500
4"	600	3,500
6"	3,100	11,800
8"	5,600	21,300

Current & Proposed System Access Charge Compared to Prop 218 Notice

OMWD System Access Charge (\$/Meter Size)						
Meter Size	Current (1)	Proposed 3/1/2020 (4)	Proposed 3/1/2021	Proposed 3/1/2022	Proposed 3/1/2023	Proposed 3/1/2024
5/8"	\$28.43	\$29.41	\$30.89	\$32.44	\$34.07	\$35.78
3/4" (*)	\$37.70	\$38.46	\$40.39	\$42.41	\$44.54	\$46.77
1"	\$65.55	\$65.60	\$68.88	\$72.33	\$75.95	\$79.75
1-1/2"	\$102.68	\$101.79	\$106.88	\$112.23	\$117.85	\$123.75
2"	\$161.47	\$159.10	\$167.06	\$175.42	\$184.20	\$193.41
2-1/2"	\$294.50	\$288.78	\$303.22	\$318.39	\$334.31	\$351.03
3"	\$322.34	\$315.93	\$331.73	\$348.32	\$365.74	\$384.03
4"	\$535.82	\$524.03	\$550.24	\$577.76	\$606.65	\$636.99
6"	\$1,120.55	\$1,094.04	\$1,148.75	\$1,206.19	\$1,266.50	\$1,329.83
8"	\$2,017.75	\$1,968.66	\$2,067.10	\$2,170.46	\$2,278.99	\$2,392.94

Prop 218 Notice



Current and Proposed OMWD System Access Charge (SAC)				
Meter Size	Current	Change	% Change	Proposed Effective March 1, 2023
5/8"	\$30.90	\$1.17	3.8%	\$32.07
3/4"	\$40.41	\$1.53	3.8%	\$41.94
1"	\$68.93	\$2.62	3.8%	\$71.55
1-1/2"	\$106.94	\$4.06	3.8%	\$111.00
2"	\$167.16	\$6.35	3.8%	\$173.51
2-1/2"	\$303.41	\$11.53	3.8%	\$314.94
3"	\$331.93	\$12.61	3.8%	\$344.54
4"	\$550.57	\$20.92	3.8%	\$571.49
6"	\$1,149.45	\$43.68	3.8%	\$1,193.13
8"	\$2,068.36	\$78.60	3.8%	\$2,146.96

Current and Proposed SDCWA Infrastructure Access Charge (IAC) – No Proposed Changes

Current and Proposed SDCWA Infrastructure Access Charge (IAC)				
Meter Size	Current	Pass-Through Increases & Adjustments		Proposed Effective March 1, 2023
		\$	%	
5/8"	\$4.24	\$0.00	0.0%	\$4.24
3/4"(*)	\$4.24	\$0.00	0.0%	\$4.24
1"	\$8.07	\$0.00	0.0%	\$8.07
1-1/2"	\$13.17	\$0.00	0.0%	\$13.17
2"	\$21.24	\$0.00	0.0%	\$21.24
2-1/2"	\$39.52	\$0.00	0.0%	\$39.52
3"	\$43.35	\$0.00	0.0%	\$43.35
4"	\$72.67	\$0.00	0.0%	\$72.67
6"	\$152.98	\$0.00	0.0%	\$152.98
8"	\$276.24	\$0.00	0.0%	\$276.24

Fire Meter Charges – Current and Proposed

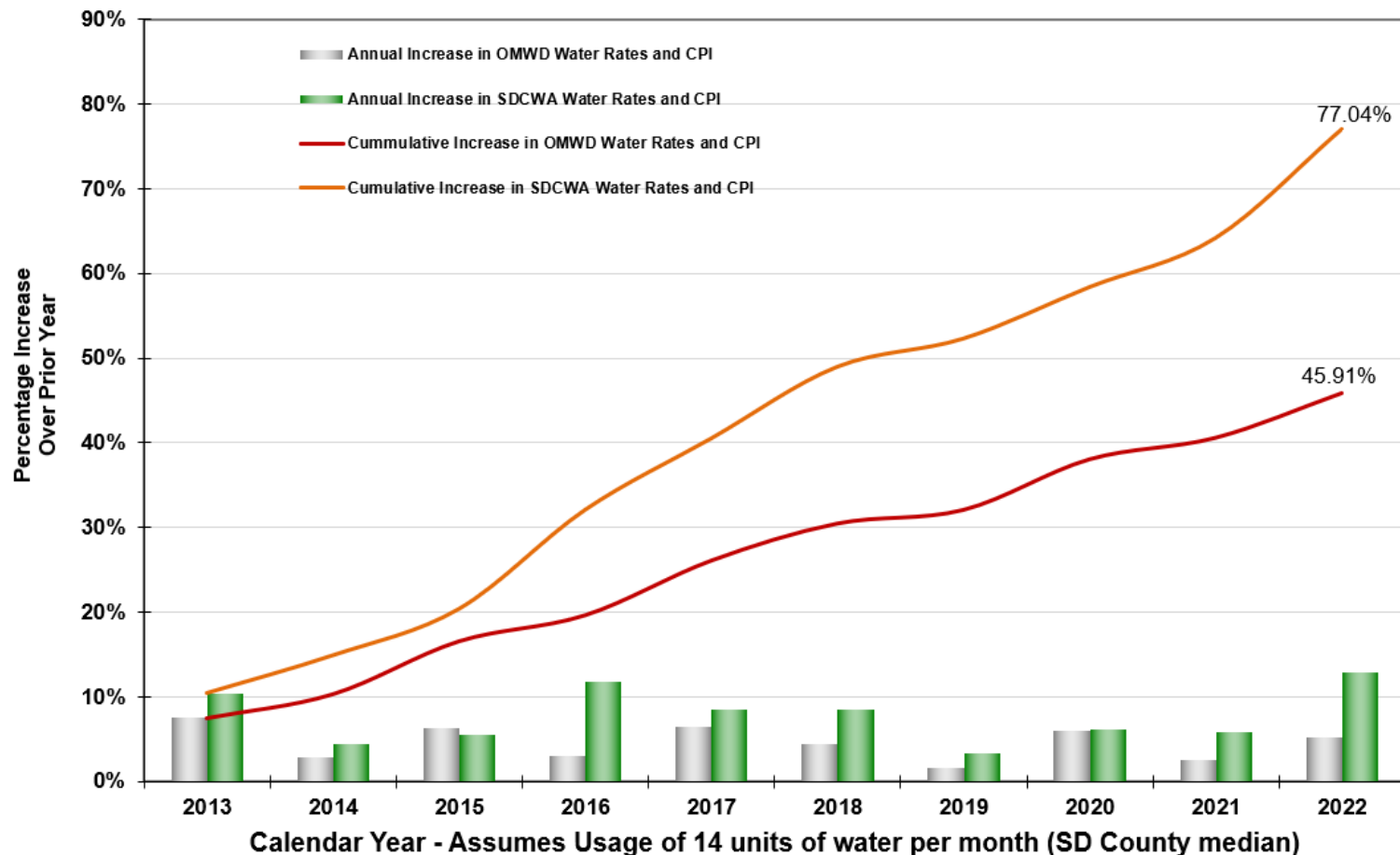
OMWD Fire Meter Charge (\$/Meter Size)						
Meter Size	Current (1)	Proposed 3/1/2020 (4)	Proposed 3/1/2021	Proposed 3/1/2022	Proposed 3/1/2023	Proposed 3/1/2024
5/8"	\$3.82	\$4.82	\$5.07	\$5.33	\$5.60	\$5.88
3/4" (*)	\$3.82	\$4.82	\$5.07	\$5.33	\$5.60	\$5.88
1"	\$4.50	\$5.42	\$5.70	\$5.99	\$6.29	\$6.61
1-1/2"	\$5.42	\$6.21	\$6.53	\$6.86	\$7.21	\$7.58
2"	\$6.88	\$7.48	\$7.86	\$8.26	\$8.68	\$9.12
2-1/2"	\$10.15	\$10.34	\$10.86	\$11.41	\$11.99	\$12.59
3"	\$10.84	\$10.93	\$11.48	\$12.06	\$12.67	\$13.31
4"	\$16.10	\$15.52	\$16.30	\$17.12	\$17.98	\$18.88
6"	\$30.51	\$28.09	\$29.50	\$30.98	\$32.53	\$34.16
8"	\$52.64	\$47.37	\$49.74	\$52.23	\$54.85	\$57.60

Prop 218 Notice



Current and Proposed OMWD Fire Meter Charge Rates (\$/Meter Size)				
Meter Size	Current	Change	% Change	Proposed Effective March 1, 2023
5/8"	\$5.31	\$0.26	4.9%	\$5.57
3/4"(*)	\$5.31	\$0.26	4.9%	\$5.57
1"	\$5.97	\$0.29	4.9%	\$6.26
1-1/2"	\$6.84	\$0.34	5.0%	\$7.18
2"	\$8.24	\$0.41	5.0%	\$8.65
2-1/2"	\$11.39	\$0.56	4.9%	\$11.95
3"	\$12.04	\$0.60	5.0%	\$12.64
4"	\$17.10	\$0.85	5.0%	\$17.95
6"	\$30.96	\$1.54	5.0%	\$32.50

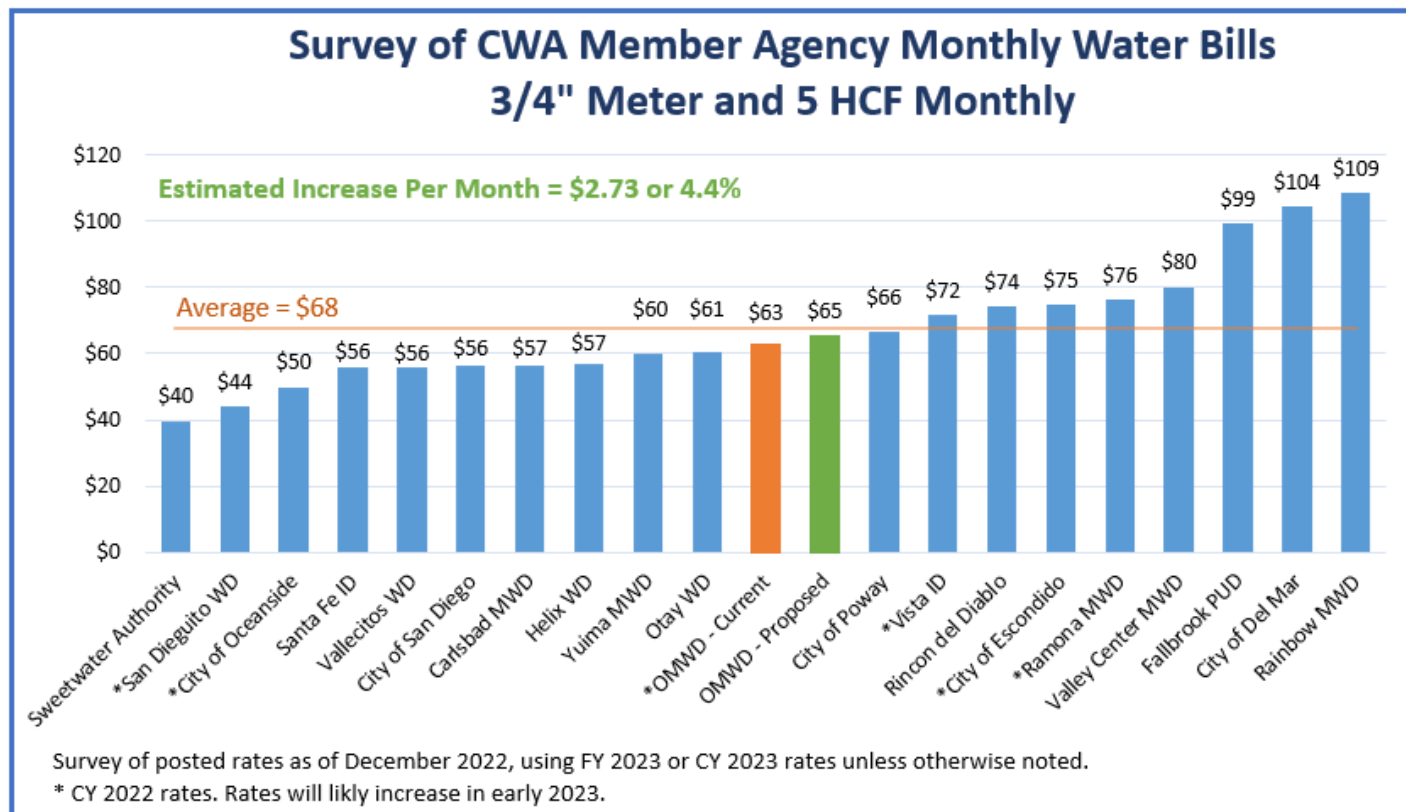
OMWD Increases in Rates & Charges vs SDCWA Increases and San Diego CPI



Source: Bureau of Labor Statistics (BLS), SDCWA and OMWD.

Monthly Water Bill Survey

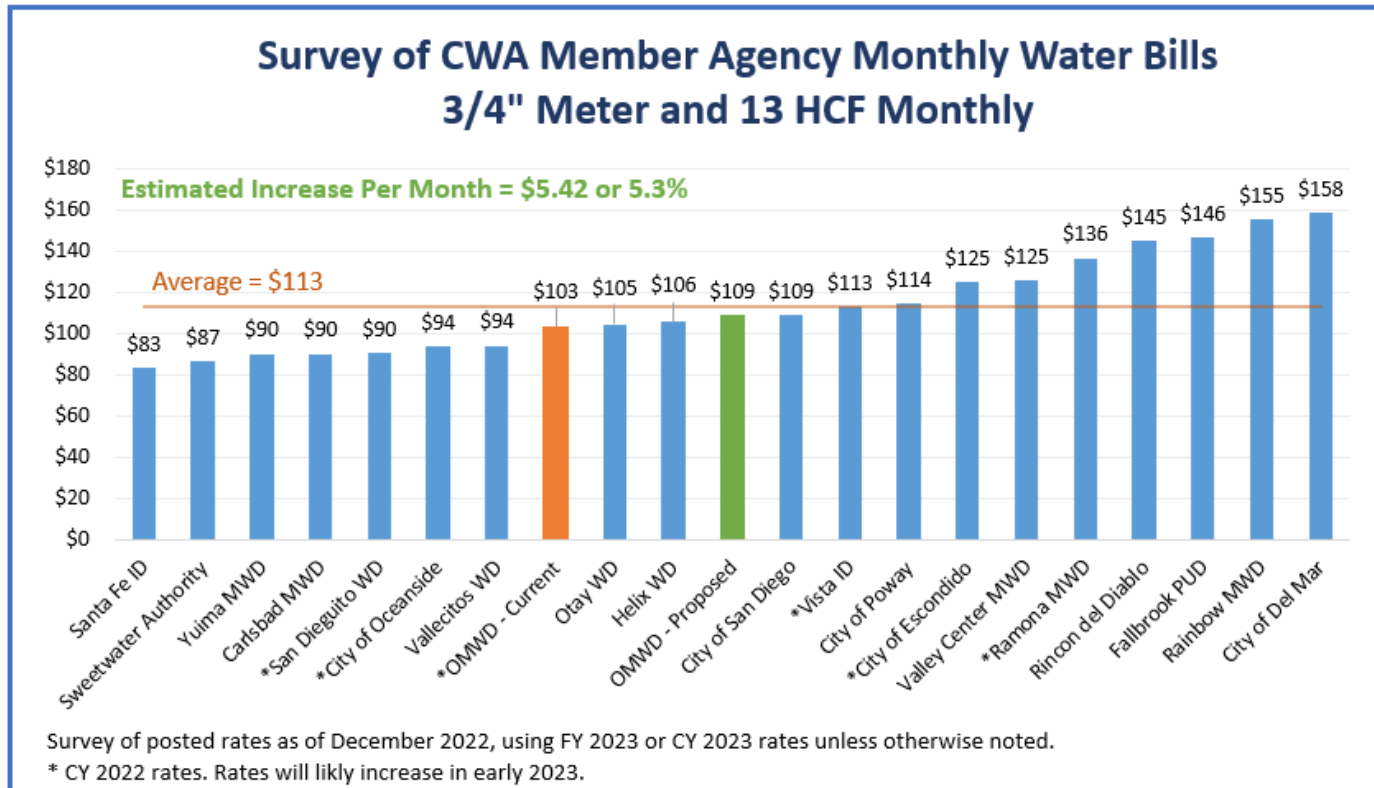
Single Family Residential (5 units)



Note: Graph above will be skewed for the next several years based on how each agency applied their SDCWA rebate. Some agencies applied the full rebate amount to a single year while others used their rebate to offset multiple years.

Monthly Water Bill Survey

Single Family Residential (13 units)

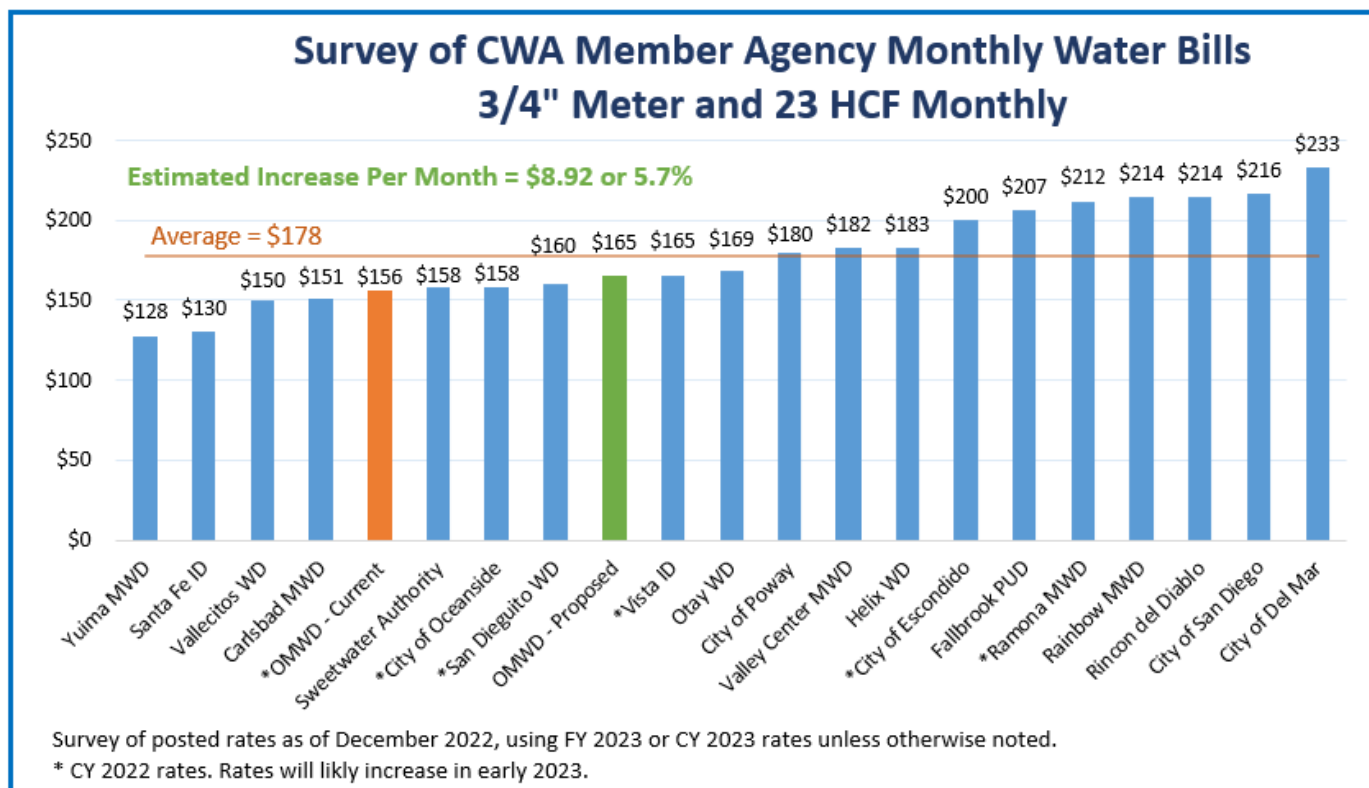


Note: Graph above will be skewed for the next several years based on how each agency applied their SDCWA rebate. Some agencies applied the full rebate amount to a single year while others used their rebate to offset multiple years.

Monthly Water Bill Survey

Single Family Residential (23 units)

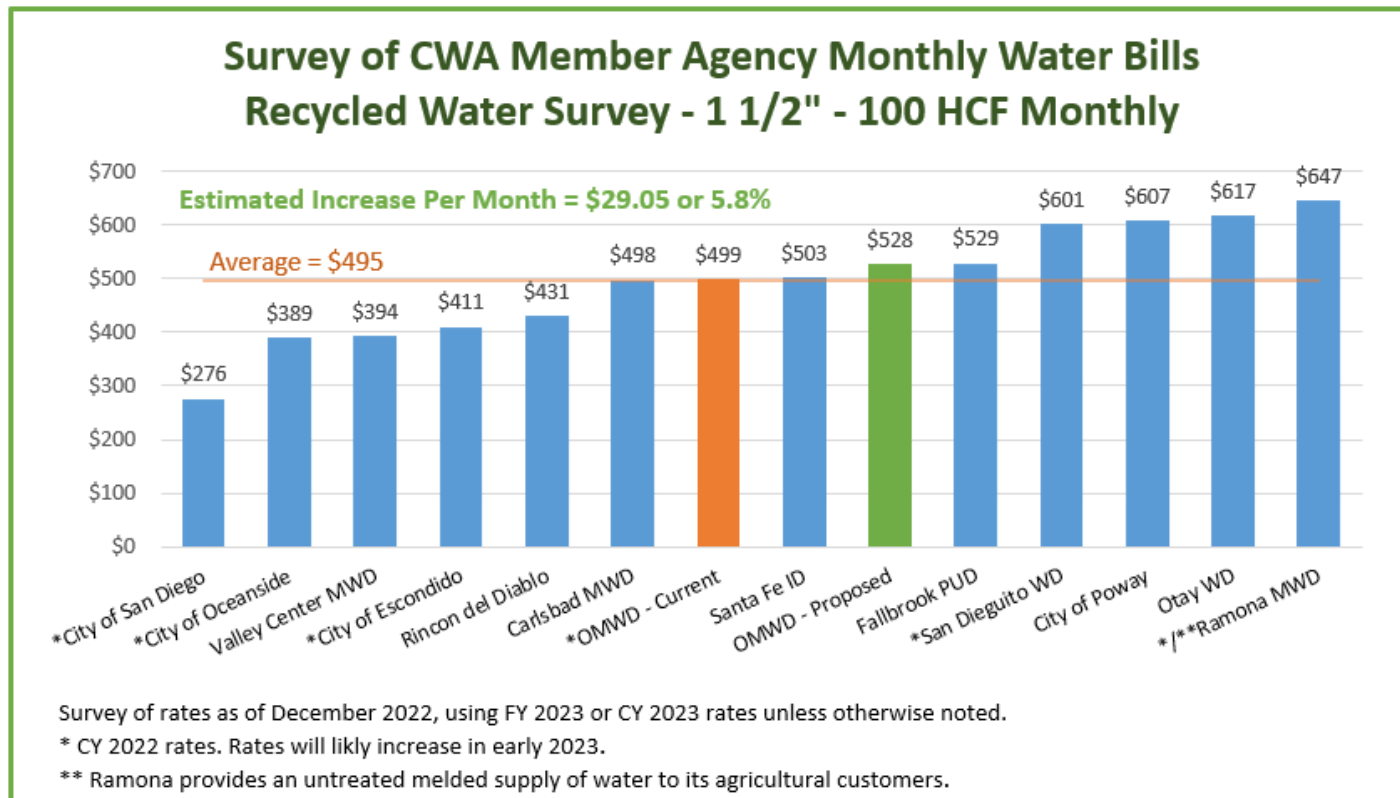
OMWD Average Monthly Domestic Water Usage



Note: Graph above will be skewed for the next several years based on how each agency applied their SDCWA rebate. Some agencies applied the full rebate amount to a single year while others used their rebate to offset multiple years.

Monthly Water Bill Survey

Recycled Water (100 units)



Next Steps

- Obtain approval from the committee to bring the proposed water rates and charges for 2023 at the February 15 meeting for consideration and adoption
- If adopted by the board, 2023 water rates and charges will take effect on March 1, 2023
- Customers will continue to receive the Rate Reimbursement Credit at 6.9 cents per unit of potable water billed until 2025 (next water cost of service study)

Questions?

Memo

Date: January 24, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **FOLLOW-UP DISCUSSION ON FINANCIAL RATIOS PRESENTED BY THE PUN GROUP, OMWD'S AUDITORS, AT THE DECEMBER BOARD MEETING (INFORMATIONAL ITEM)**

A copy of staff's presentation is attached for this informational item.

Staff will make a presentation to the committee and be available for discussion at the meeting.

Attachment: Presentation

FY 2021 & FY 2022 Auditors' Key Financial Indicators

Finance Committee Meeting
January 24, 2023

Key Financial Indicators

	2022	2021	2020	2019
<u>Current Ratio</u>				
Current Assets	\$ 106,207,861	\$ 98,915,490	\$ 91,849,421	\$ 98,740,406
Current Liabilities	\$ 14,317,234	\$ 13,933,676	\$ 16,678,476	\$ 15,277,287
Olivenhain MWD	7.42	7.10	5.51	6.46
Average of 10 Local Districts	n/a	5.42	6.39	6.33
<u>Capital Condition Ratio</u>				
Total Depreciable Capital Assets	\$ 567,338,861	\$ 556,962,450	\$ 533,528,816	\$ 527,687,018
Total Accumulated Depreciation	\$ 230,741,454	\$ 216,571,720	\$ 204,189,400	\$ 191,043,044
Olivenhain MWD	40.67%	38.88%	38.27%	36.20%
Average of 10 Local Districts	n/a	45.12%	44.58%	43.78%
<u>Pension Liability to Net Position Ratio</u>				
Net Pension Liability	\$ 7,819,768	\$ 14,608,844	\$ 13,760,678	\$ 12,602,286
Net Position	\$ 407,325,390	\$ 407,436,209	\$ 398,071,764	\$ 394,682,641
Olivenhain MWD	1.92%	3.59%	3.46%	3.19%
Average of 10 Local Districts	n/a	10.65%	11.03%	10.62%
<u>Water / Sewer Receivable % Change</u>				
Water / Sewer Receivable - Current Year	\$ 9,453,946	\$ 10,717,152	\$ 10,062,269	\$ 8,079,684
Water / Sewer Receivable - Prior Year	\$ 10,717,152	\$ 10,062,269	\$ 8,079,684	\$ 9,801,577
Olivenhain MWD	-11.79%	6.51%	24.54%	-17.57%
Average of 10 Local Districts	n/a	8.69%	9.73%	-14.19%

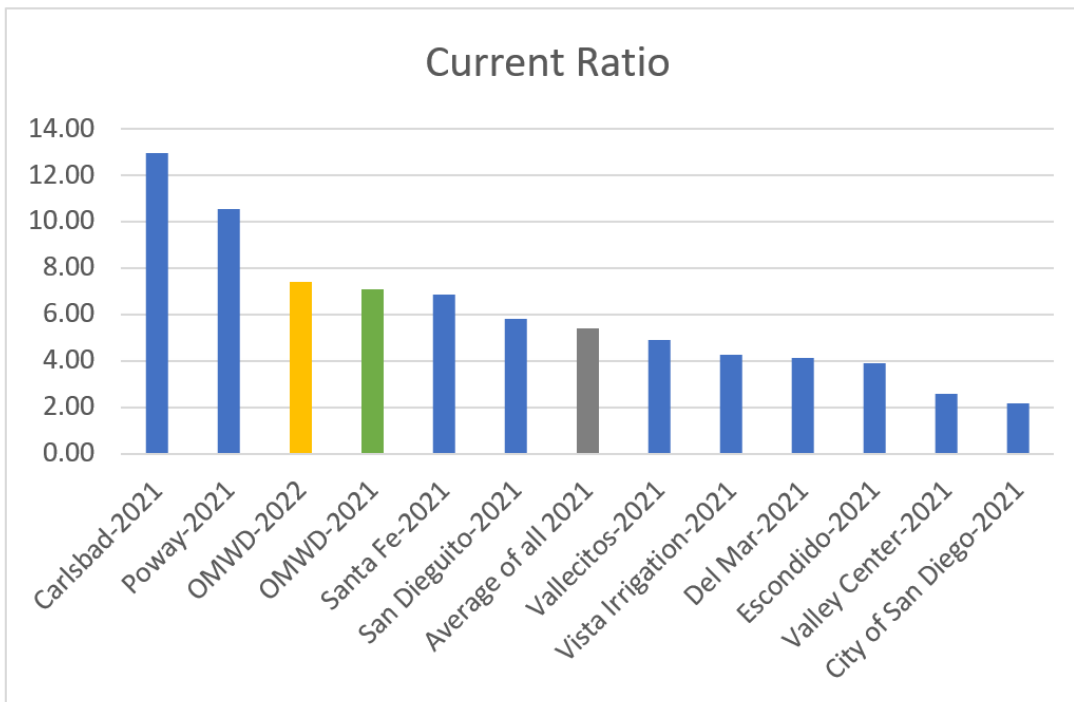
Key Financial Indicators

	2022	2021	2020	2019
<u>Operating Margin</u>				
Operating Revenues	\$ 64,531,592	\$ 64,758,178	\$ 57,583,293	\$ 55,753,170
Operating Expenses (minus depreciation)	\$ 54,206,114	\$ 52,683,656	\$ 49,298,110	\$ 45,426,264
Olivenhain MWD	1.19	1.23	1.17	1.23
Average of 10 Local Districts	n/a	1.02	1.07	1.12
<u>Water / Sewer Sales % Change</u>				
Water / Sewer Sales - Current Year	\$ 63,228,466	\$ 63,296,949	\$ 55,383,041	\$ 53,483,505
Water / Sewer Sales - Prior Year	\$ 63,296,949	\$ 55,383,041	\$ 53,483,505	\$ 57,909,159
Olivenhain MWD	-0.11%	14.29%	3.55%	-7.64%
Average of 10 Local Districts	n/a	11.20%	2.20%	-5.74%

Current Ratio

Current Ratio

Carlsbad-2021	12.96
Poway-2021	10.54
OMWD-2022	7.42
OMWD-2021	7.10
Santa Fe-2021	6.88
San Dieguito-2021	5.82
Average of all 2021	5.42
Vallecitos-2021	4.89
Vista Irrigation-2021	4.25
Del Mar-2021	4.12
Escondido-2021	3.88
Valley Center-2021	2.57
City of San Diego-2021	2.18

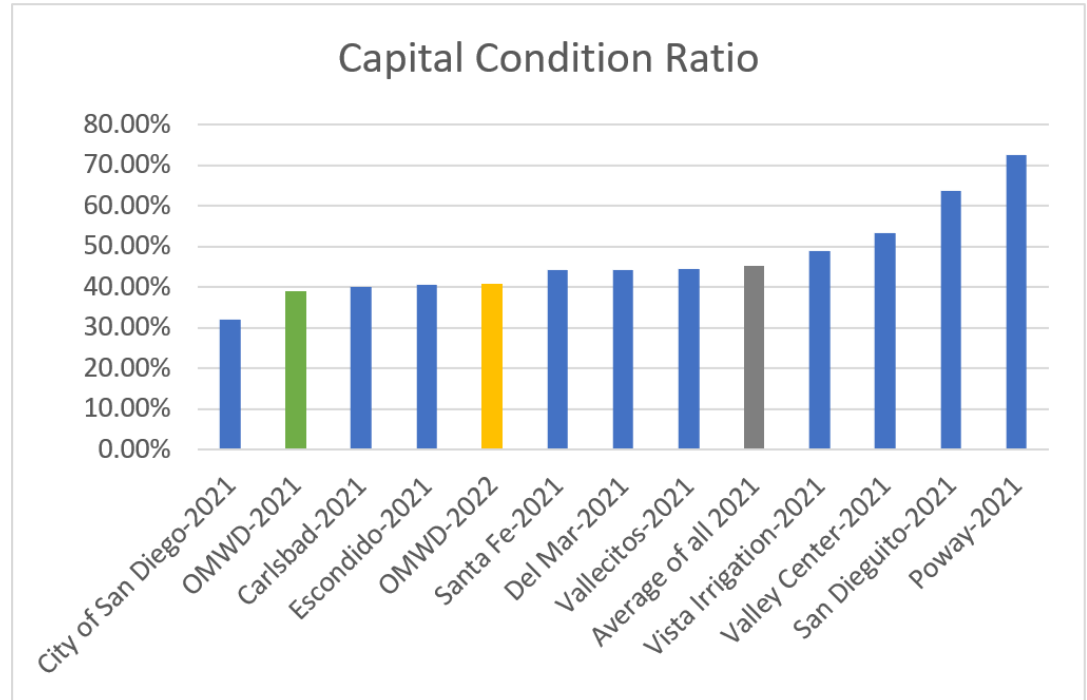


- Current Assets / Current Liabilities
- Measures OMWD's ability to meet our obligations that are due within 1 year with assets that are readily available.
- Higher is better, more liquid assets to cover upcoming liabilities

Capital Condition Ratio

Capital Condition Ratio

City of San Diego-2021	31.94%
OMWD-2021	38.88%
Carlsbad-2021	39.93%
Escondido-2021	40.49%
OMWD-2022	40.67%
Santa Fe-2021	44.05%
Del Mar-2021	44.24%
Vallecitos-2021	44.42%
Average of all 2021	45.12%
Vista Irrigation-2021	48.96%
Valley Center-2021	53.21%
San Dieguito-2021	63.61%
Poway-2021	72.52%

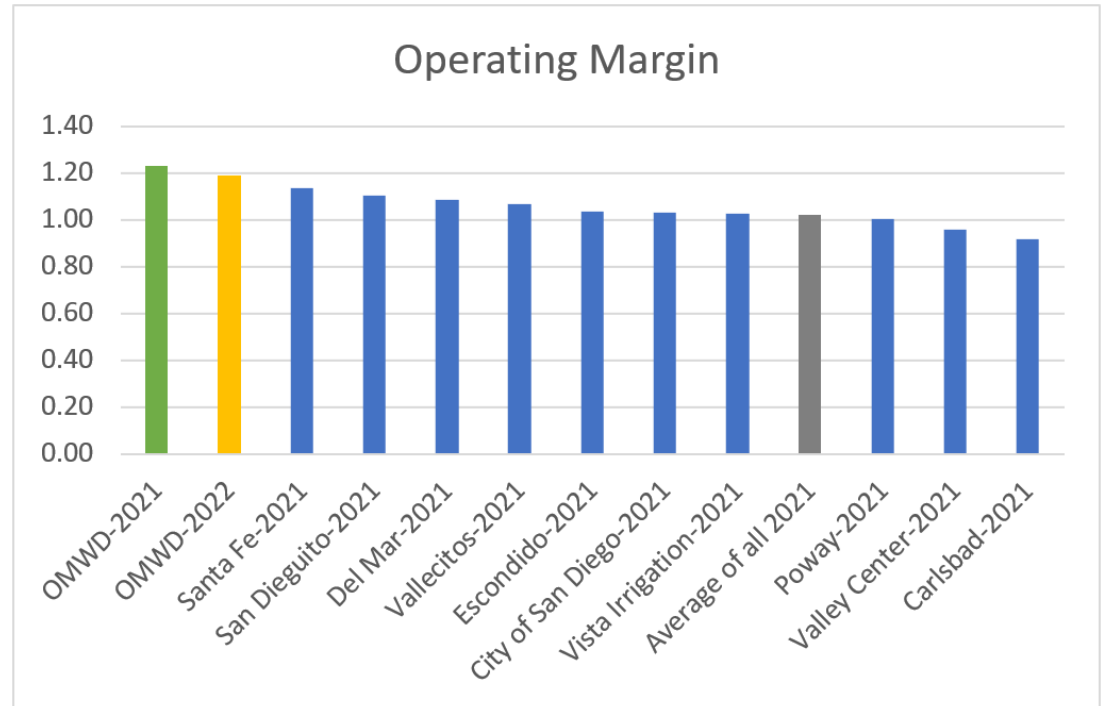


- Accumulated Depreciation / Total Depreciable Assets
- Measures remaining useful life of facilities and equipment based on depreciation.
- Lower is better, shows that assets are newer

Operating Margin

Operating Margin

OMWD-2021	1.23
OMWD-2022	1.19
Santa Fe-2021	1.13
San Dieguito-2021	1.10
Del Mar-2021	1.09
Vallecitos-2021	1.07
Escondido-2021	1.04
City of San Diego-2021	1.03
Vista Irrigation-2021	1.03
Average of all 2021	1.02
Poway-2021	1.00
Valley Center-2021	0.96
Carlsbad-2021	0.92

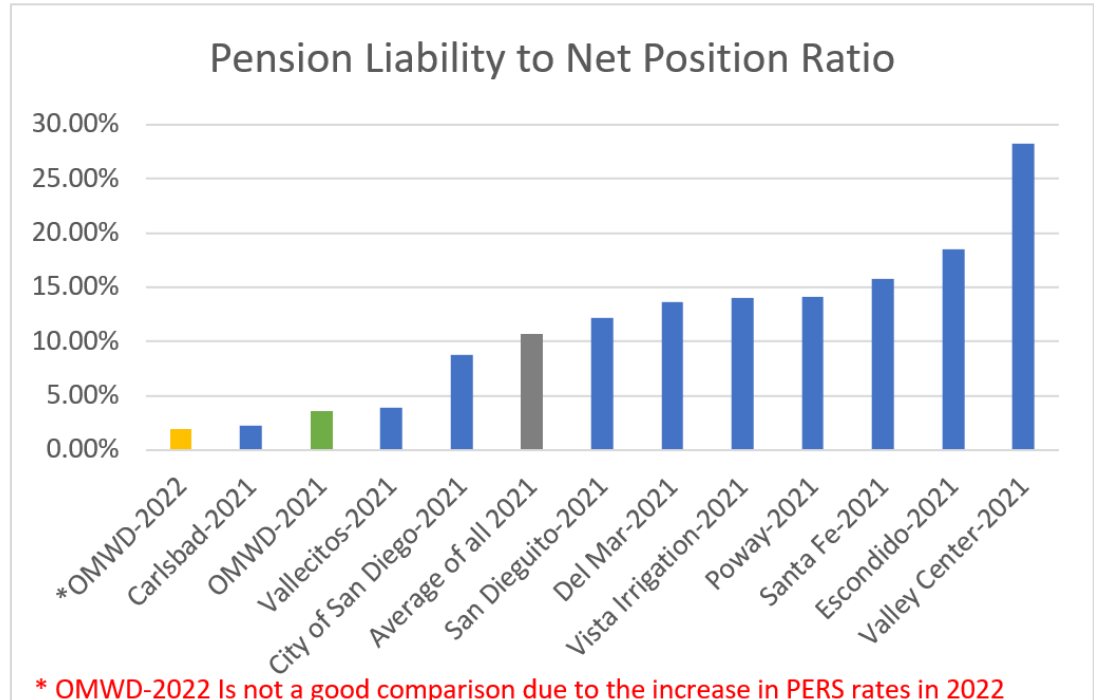


- Operating Revenues / Operating Expenses (Less Depreciation)
- Measures if operating revenues cover operating expenses.
- Higher is better, we have more revenue left over after expenses are paid

Pension Liability to Net Position Ratio

Pension Liability to Net Position Ratio

*OMWD-2022	1.92%
Carlsbad-2021	2.22%
OMWD-2021	3.59%
Vallecitos-2021	3.92%
City of San Diego-2021	8.75%
Average of all 2021	10.65%
San Dieguito-2021	12.17%
Del Mar-2021	13.58%
Vista Irrigation-2021	14.06%
Poway-2021	14.11%
Santa Fe-2021	15.74%
Escondido-2021	18.50%
Valley Center-2021	28.22%

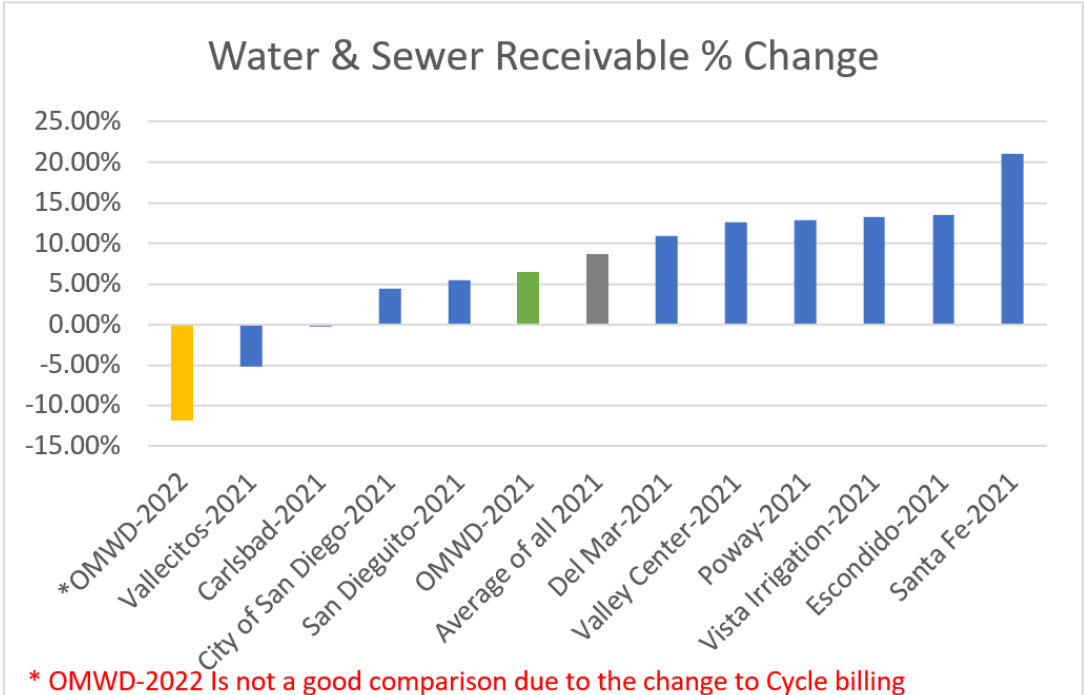


- Net Pension Liability / Net Position
- Measures our ability to cover our pension liability.
- Lower is better, we are in a better position to cover our pension liability

Receivables % Change

Water & Sewer Receivable % Change

*OMWD-2022	-11.79%
Vallecitos-2021	-5.23%
Carlsbad-2021	-0.27%
City of San Diego-2021	4.42%
San Dieguito-2021	5.44%
OMWD-2021	6.51%
Average of all 2021	8.69%
Del Mar-2021	10.94%
Valley Center-2021	12.57%
Poway-2021	12.93%
Vista Irrigation-2021	13.21%
Escondido-2021	13.57%
Santa Fe-2021	21.08%

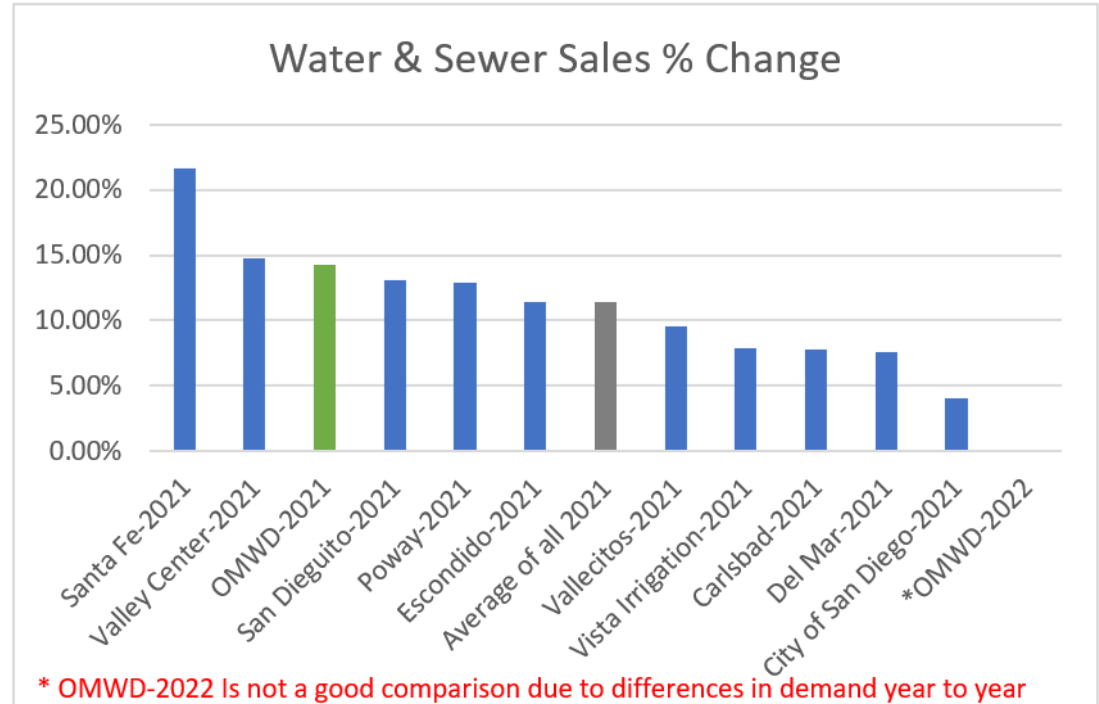


- Receivables - Current Year / Receivables - Prior Year
- Measures change in receivables balance.
- An increase could be a positive or a negative depending on context.
- Most districts increased is proportion to their increase in sales.

Sales % Change

Water & Sewer Sales % Change

Santa Fe-2021	21.68%
Valley Center-2021	14.79%
OMWD-2021	14.29%
San Dieguito-2021	13.08%
Poway-2021	12.86%
Escondido-2021	11.39%
Average of all 2021	11.36%
Vallecitos-2021	9.59%
Vista Irrigation-2021	7.85%
Carlsbad-2021	7.78%
Del Mar-2021	7.62%
City of San Diego-2021	4.06%
*OMWD-2022	-0.11%



- Sales - Current Year / Sales - Prior Year
- Measures change in Sales Revenue year to year.
- Water Sales revenue was steady between 2021 and 2022 due to a decrease in demand that was partially offset by the 4.3% revenue adjustment to rates.