

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

February 2, 2021

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, February 2, 2021, at the District office, 1966 Olivenhain Road, Encinitas, California via video conference.

President Watt called the meeting to order at 12:31 p.m. In attendance via video conference were Lawrence A. Watt, Board President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager and Deputy Treasurer; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst; and Sudhir Pardiwala, Executive Vice President at Raftelis Financial Consultants, Inc. 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. General Manager Thorner announced that Director Bruce-Lane was also in attendance via video conference to audit the Finance Committee Meeting, but will not participate per the Brown Act.

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 JANUARY 7, 2021 SPECIAL FINANCE COMMITTEE MEETING

Director Watt moved to approve the January 7, 2021 meeting minutes, seconded by Finance Manager Selamat and carried unanimously.

6. CONSIDER PRESENTATION AND REPORT ON THE 2020 WASTEWATER COST OF SERVICE STUDY AND THE PROPOSED WASTEWATER (SEWER) REVENUE ADJUSTMENTS

Sudhir Pardiwala from Raftelis Financial Consultants, Inc. presented the wastewater cost of service report and recommended revenue adjustments to the Committee for discussion and consideration. Included in the Raftelis presentation was an overview of the District's proposed five-year financial plan, the cost of service allocation used, and a review of the proposed rate structure options.

Mr. Pardiwala noted the objectives of the study are to recover projected operating, capital, and debt service costs over the next five years, maintain compliance with reserve policies set by the board, and to ensure customers pay in proportion to the service received. One notable change from the prior cost of service study was to reduce the multi-family equivalent dwelling unit to 0.79 from 1.0, based on multi-family wastewater flow, which reduced the proposed system access charge allocated to this particular customer class. Mr. Pardiwala presented two rate options for consideration. Option one includes different volumetric rates for the individual customer classes. Option two includes the same volumetric rate for single family, multi-family, and commercial group I customer classes, and a different rate for the commercial group II class which matches the current rate structure in place. The proposed rate structures equate to a 2% revenue increase in year one, and 3% increases annually over the following four years. Additionally, year one proposes a debt issuance to help fund some large capital projects included in the five-year financial plan. Finance Manager Selamat added that the District intends to take advantage of low rates currently available for financing, which also aids in limiting the annual rate increase to customers over the five-year plan covered in the study.

Director Watt had several questions regarding methodology used for allocating sewer operating costs to customers and wastewater capital replacement projects included in included in the 2020 Wastewater Rate Study Report. Director Watt's questions were addressed by staff and Mr. Pardiwala during the meeting. Director Watt also commented that the District, being an Enterprise fund, must recover operating and capital costs each year, and prefers incremental increases annually to help prevent a significant increase in any one particular year. Director Watt then added that the cost of service study does a good job of outlining the financial plan, and that financial assumptions used in the Study are seemed reasonable.

Director Watt recommended bringing the presentation of the study and proposed rates to the full board for consideration at the February 10th board meeting, seconded by Deputy Treasurer Selamat.

7. QUARTERLY REVIEW OF INVESTMENTS AND FUND BALANCES (Q4 2020)

Finance Manager Selamat reviewed the investment report as of December 31, 2020 with the committee. Cash and investments were discussed. Finance Manager Selamat reported the District is likely to have several securities called over the next few months before these securities are matured because of the current market condition. She added

that replacing the called securities with new securities available will reduce the District's overall investment return.

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

8. ADJOURNMENT

The meeting was adjourned at 1:24 p.m.