

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

February 03, 2020

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, February 03, 2020, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 12:34 p.m. In attendance were Edmund K. Sprague, Board President and Division 5 Director; Lawrence A. Watt, Treasurer and Division 2 Director; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Sprague 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 NOVEMBER 20, 2019 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the November 20, 2019 meeting minutes, seconded by Director Sprague and carried unanimously.

6. QUARTERLY REVIEW OF INVESTMENTS AND FUND BALANCES (Q4 2019)

Finance Manager Selamat reviewed the investment report as of December 31, 2019 with the committee noting the current yield across all the District's investments is 1.93%. Finance Manager Selamat noted that following the Fed's three 2019 "rate adjustment" cuts, PFM advising expect interest rates to remain within their range over the near term. The District has been able to earn higher yields by maximizing investments in both LAIF and CAMP funds which have been outperforming the bond

market during the fourth quarter of 2019.

Finance Manager Selamat reported on upcoming maturities and noted the District still has U.S. Agency securities in the 2% and 3% yield range which are likely to be called in the near future. Finance Manager Selamat recommended the District continue to maximize the higher yields available in LAIF and CAMP funds, and invest in U.S. Treasury and Agency securities when favorable yields become available and to maintain compliance with the District's investment policy. Director Sprague and Director Watt agreed. 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.

7. REVIEW OF STAFF PROPOSED MID-YEAR ADJUSTMENTS TO FISCAL YEAR 2019/20 OPERATING AND CAPITAL BUDGET

Finance Manager Selamat began with fiscal year 2019-20 mid-year budget PowerPoint presentation. Staff proposed mid-year budget adjustments were discussed with the committee. Finance Manager Selamat reported that actual sales during the first half of fiscal year 2019-20 were less than staff's projections due to less water use than anticipated. The proposed net adjustment to the operating budget is a \$5,000 decrease.

Finance Manager Selamat reported that the adjustment to the operating budget is made up of the following: a decrease in water sales, a decrease in water purchases, a decrease in selling of water treatment services, a decrease in budgeted employee benefits, an increase in capitalized labor cost to match actuals, and a decrease in PAYGO transfers. General Manager Thorner added that staff had conservatively budgeted PAYGO transfers during the fiscal year 2019-20 budget process, and the reduced PAYGO transfer amount would still be a healthy amount. Director Watt asked if significant adjustments in budgeted water sales is typical and what the District plans to do if sales continue to decline. General Manager Thorner confirmed adjustments to budgeted sales is typical and accurately predicting water sales is a challenge many local districts are currently experiencing. Finance Manager Selamat presented the current fund balances noting the District has sufficient funds to cover operating expenditures through the remainder of the fiscal year if water sales continue to decline below budgeted sales.

Staff-proposed adjustments to the District's fiscal year 2019-20 capital budget including the small capital item purchases were then discussed. Staff is proposing an increase in small capital item purchases of \$27,000 and a proposal to reduce the total capital budget appropriation of approximately \$2.8 million due to the timing of expenditures on certain capital projects. The Finance Committee agreed with the fiscal year 2019-20 budget adjustments as presented by Staff and recommended bringing before the full board for review at the February 12, 2020 meeting.

8. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

9. ADJOURNMENT

The meeting was adjourned at 1:28 p.m.