

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

February 9, 2022

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

President Watt called the meeting to order at 11:00 a.m. In attendance were Lawrence A. Watt, Board President; Christy Guerin, Board Treasurer; Kimberly Thorner, General Manager; Joseph Randall, Assistant General Manager; Rainy Selamat, Finance Manager; Jason Hubbard, Engineering Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II. Also in attendance via teleconference were Andrew Lynn from CalMuni Advisors; Cameron Weist from The Weist Law Firm; Julio Morales from Urban Futures Inc.; and Dan Matusiewicz and Jason Huk from GovInvest all to present on agenda item 6.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 8, 2021 REGULAR FINANCE COMMITTEE MEETING

Director Guerin moved to approve the November 8, 2021 meeting minutes, seconded by Director Watt and carried unanimously.

6. CONSIDER PROPOSALS FOR PENSION ADVISORY SERVICES AND SELECT A FIRM FOR DEVELOPMENT OF OLIVENHAIN MUNICIPAL WATER DISTRICT'S PENSION FUNDING POLICY AND PENSION FUNDING PLAN

Finance Manager Selamat presented the agenda item to the committee noting the District solicited proposals from three firms for professional services to assist District staff with the development of the District's pension funding policy, and to evaluate funding strategies for managing and addressing the District's pension liability. The committee heard presentations from the three different firms: CalMuni Advisors, UFI Financial Solutions, and GovInvest.

Andrew Lynn from CalMuni Advisors and Cameron Weist from The Weist Law Firm presented jointly on behalf of CalMuni Advisors. Mr. Lynn and Mr. Weist discussed their approach to helping districts develop, implement, and manage a pension funding policy and meet its pension debt obligations, and the ongoing support they provide. Director Watt commented that the amount of hours included in their proposal seemed low in light of the complexity of implementing a pension policy/plan. Mr. Weist responded that they start from a template that can be modified to meet the District's needs which cuts down on overall time. Mr. Lynn also added if they exceed the hours within the proposal for developing, implementing, and managing a pension policy, the overall cost to the District would not change from what is included in the proposal. Financing costs of a new debt issuance, if the District decides to issue pension obligation bonds, are not included in the proposal, however.

Julio Morales from UFI Financial Solutions (UFI) presented next. Mr. Morales noted that UFI is the largest municipal advisor in California and specializes in pension advisory services. Mr. Morales stated that his firm begins by analyzing a district's pension liabilities and financial position, determines the district's pension objectives and funding strategies available, and then helps the district develop a plan and pension policy to meet the established objectives. Director Watt inquired which team members would work with the District directly if they were to choose UFI. Mr. Morales stated he performs all the analysis and his colleague assists with the long-range planning.

Dan Matusiewicz from GovInvest presented his firm's proposal noting it typically differs from other agencies due to their utilization of pension software with built-in analytical tools to run multiple scenarios. Mr. Matusiewicz stated the actuarial and financial modeling software helps agencies predict and stress test the potential impacts of pension plans, labor negotiations, and other post-employment benefits.

The committee discussed the three proposals presented. Director Guerin expressed concern with the software-based option from GovInvest noting it seemed more labor intensive for District staff compared to the alternative options. Director Watt agreed and moved to approve going with UFI due to the expertise of the firm and comprehensive overview of all aspects of the pension policy, which was seconded by Director Guerin and carried unanimously.

7. REVIEW AND DISCUSS QUARTERLY INVESTMENTS AND CASH REPORTS (4TH QTR 2021)

Finance Manager Selamat reviewed the investment report as of December 31, 2021 with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the yield for treasury securities continues to increase and exceeds the yield on recent purchases due to the changing market.

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. DISCUSS THE 4S RANCH NEIGHBORHOOD 1 SEWER PUMP STATION REPLACEMENT PROJECT, REVIEW POTENTIAL INCREASES IN THE OVERALL PROJECT BUDGET, AND THE SEWER CAPITAL AND EQUIPMENT FUND BALANCES

Engineering Manager Hubbard presented an overview of the 4S Ranch Neighborhood 1 Sewer Pump Station Replacement project to the committee. This was an informational item only. Engineering Manager Hubbard reported that the construction bids recently received for this project were significantly higher than the original third party engineer's estimate causing the overall project cost to be higher than original estimates if the District proceeds with the project. Engineering Manager Hubbard discussed the importance of moving forward with this project to address safety concerns due to the corrosive environment of the existing pump station effecting the electrical and equipment, and noted that delaying the project does not look to save the District any money down the line.

Engineering Manager Hubbard then presented a revised 10-year wastewater capital spending plan with updated cost estimates that would allow the District to complete the 4S Ranch Neighborhood 1 Sewer Pump Station Replacement project along with other critical infrastructure projects, and remain above the minimum capital reserve requirement set by the board with rates currently set through Fiscal Year 2026. Rates and capital reserves beyond Fiscal Year 2026 will be reviewed with the next cost of service study.

Director Guerin and Director Watt both stated they have toured the existing pump station and understand the need to complete the replacement project sooner than later. General Manager Thorner reiterated that this agenda item is informational only and will be brought before the full board at the February 16 meeting.

9. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.