

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

February 09, 2026

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, February 9th, 2026, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Maloni called the meeting to order at 3:01 p.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Leo Mendez, Finance Manager; Jared Graffam, Accounting Supervisor; Georgeanna Clark, Project Accountant II; Kyle Tanaka and Robert Montoya from PFM Asset Management for item 8; Lora Nichols from Fieldman appearing via Zoom for item 10; and Lawrence Chan from Stradling Yocca Carlson & Rauth appearing via Zoom for items 10 and 11.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Maloni moved to adopt the agenda, seconded by Director Meyers, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 18, 2025, REGULAR FINANCE COMMITTEE MEETING

Director Maloni moved to approve the November 18th, 2025, meeting minutes, seconded by Director Meyers, and carried unanimously.

6. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (2nd QTR OF FY 2026)

Finance Manager Mendez presented the investment report as of December 31, 2025, to the committee, and reviewed the three core principles that guide OMWD's investment practices: safety of principal, liquidity, and return on investments, in this order. Cash and investment holdings were discussed. Finance Manager Mendez reported that the current yield on the District's investment portfolio has decreased slightly compared to

the previous quarter due to replacing matured securities with lower yields available in the market, noting that the District is currently reinvesting proceeds from matured securities in the Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), due to their higher yield and liquidity. Finance Manager Mendez reported that the District 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 60 days.

Director Meyers asked about the liquidity of LAIF and CAMP. Finance Manager Mendez replied that staff can request funds and receive LAIF and CAMP funds into the District's checking account the next day.

Finance Manager Mendez also presented the draft summary of fund balances over the previous five years. Finance Manager Mendez reported that the Wastewater Operating Fund was currently below the minimum balance set by the Board due to the timing of Wastewater revenue receipts, which are collected from the County via the property tax roll. Finance Manager Mendez added that about \$2 million in property tax receipts were received following the end of the quarter, which increased the Operating Fund balance to within the Board set limits. Finance Manager Mendez added that until the District's Wastewater debt is issued, staff will continue to closely monitor Operating and Capital Fund balances to ensure sufficient funds are available.

Director Meyers inquired if the large cash outflow for the Azahar emergency repair has started having a noticeable effect on the District's fund balances. Finance Manager Mendez stated that large invoices related to the project have been paid and are reflected in the fund balances. General Manager Thorner noted that the time and resources dedicated to the emergency repair had led to other projects being delayed, offsetting the costs of the emergency repair in the short term.

Finance Manger Mendez next presented graphs showing average days of cash on hand for the Water and Wastewater Operating Funds. This information was requested by Director Meyers at the November Finance Committee meeting. Finance Manager Mendez also presented a three-year historical comparison of quarterly investment yields against the San Diego Consumer Price Index (SDCPI), and added that current investment yields are slightly above SDCPI.

7. REVIEW OF OMWD'S FINANCIAL REPORT – BUDGET VS. ACTUAL REPORT (2nd QUARTER OF FY 2026)

Finance Manager Mendez presented the Q2 Budget vs Actual report for the current fiscal period, noting that operating income is below budgeted levels. He explained that the high rainfall has resulted in lower-than-budgeted water sales to date, leading to reduced water revenues. These lower revenues were partially offset by decreased purchased water costs. Finance Manager Mendez also shared a graph comparing

budgeted vs actual water sales for the first six months of fiscal year 2026, which illustrated the impact of the high rainfall on water sales.

8. CONSIDER EDUCATIONAL ITEM ON LOCAL AGENCY INVESTMENT GUIDELINES (ANNUAL OBJECTIVE 57, PART 1)

General Manager Thorner reported that the District's investment policy is limited by legal requirements due to the District's cash and investments being public money. General Manager Thorner noted that the focus of the verbal report was to explain the restrictions that are in place and how the District's Investment policy stays in line with legal requirements, and that potential changes to the District's investment policy can be discussed in the future as part of annual objective 57. General Manager Thorner noted that staff is creating a survey of other local districts' investment rates of return which will be presented to the committee once completed.

Finance Manager Mendez introduced Kyle Tanaka and Robert Montoya, from PFM Asset Management, who helped present the educational item to the committee. Mr. Tanaka presented the role of an investment policy. Mr. Montoya explained that the District's Investment policy is reevaluated annually to ensure it is in line with current legal requirements. Mr. Montoya noted that California government code requires the District to prioritize, in order, safety of principal, liquidity sufficient to meet cash flow needs, and then investment yield. Mr. Montoya discussed common pitfalls that other custodians of public money often fall into.

Kyle Tanaka from PFM Asset Management next presented a chart with more details on what investments the District is allowed to own under California Code. Director Meyers inquired about the investments that showed a maximum of 1-day liquidity. Mr. Tanaka explained that investments with a maximum 1-day liquidity means the investment must be available to liquidate at 1-days' notice but can be owned for any length of time. Director Meyers then inquired about what the "Requires Approval" for investments with over 5 years to maturity means. Mr. Tanaka explained that under California Code the District can purchase Federal securities with a longer than 5-year maturity, but the purchase of those securities requires specific board approval rather than the general approval granted under the board's annual approval of the investment policy.

Finance Manager Mendez reported that the District's investments are in compliance with California Code requirements, including safety of principal, liquidity, and returns, in this order. Mr. Mendez stated that staff would like to bring this educational item to the full board at the February meeting and that staff will follow up with the Finance Committee with options on how to proceed in line with the District's annual objective 57.

General Manager Thorner inquired if the strict California Code is due to Orange County going bankrupt due to risky investment decisions. Mr. Tanaka explained that what happened with Orange County likely played a part, but there were already regulations in

place. Mr. Tanaka noted that the 2008 financial crisis likely played a role in the strictness of the Government Code.

Director Maloni inquired about what options the District has for changing its investment approach. Mr. Tanaka noted that there is still room to adjust the investment strategy and remain within compliance with Government Code. General Manager Thorner explained that staff is exploring options and conducting a survey of other local districts' investment strategies, including gathering information on which other districts use investment advisors and if it would be beneficial for the District to use an investment advisor.

Director Meyers suggested making clarifying changes to the chart of allowed investments presented by Mr. Tanaka before bringing this education item to the board.

9. REVIEW TIMELINE FOR GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FOR FISCAL YEARS 2027 AND 2028

Finance Manager Mendez presented a timeline for the budget process, including April dates in which staff will bring the proposed budget to the Finance Committee and Board for discussion. Finance Manager Mendez provided an overview of staff's process in creating the budget and added that the objective is to adopt the budget during the June Board meeting, before the new fiscal year commences.

10. REVIEW AND DISCUSS PROPOSED FINANCING TEAM FOR PLANNED WASTEWATER DEBT ISSUANCE AND RESOLUTION OF INTENT TO ISSUE TAX-EXEMPT OBLIGATIONS TO PAY FOR IMPROVEMENTS TO THE DISTRICT'S WASTEWATER SYSTEM

Finance Manager Mendez provided a brief background on the debt issuance, explaining that it was part of the 2024 Wastewater Cost of Service Study and allowed the District to have lower rate increases over the 5-year period included in the study rather than having to pass on higher rate increases in order to pay for large capital projects such as the Headworks Screening Project. Finance Manager Mendez then introduced staff's proposed financing team: Fieldman as the District's Municipal Advisor and Stradling Yocca Carlson & Rauth as the District's Bond Counsel. Finance Manager Mendez explained that the resolution that staff is proposing to bring to the full Board, the Resolution of Intent, would allow the District, if the bonds are later issued, to reimburse itself for eligible project costs incurred up to 60 days prior to the adoption of the resolution.

Director Meyers inquired about the timeline for the debt issuance. Finance Manager Mendez stated that staff is planning to issue ahead of expected Headworks Screening Project expenses in the summer. General Manager Thorner added that staff is planning to have all approvals in place early so that the District can issue when the market is prime. Lora Nichols from Fieldman explained further that the exact timeline depends on the financing type that the District uses for the issuance and listed a few advantages and

disadvantages that will be examined when deciding on private placement, which the District has historically used for wastewater debt issuances, or public placement.

Director Meyers asked what rate the District is expecting to get for the issuance. Ms. Nichols stated that if the District went with the private placement option, they could expect it to be around 4.3 to 4.8%.

Director Maloni inquired about why the District was issuing debt for a project that already has expenses, and if the District will be able to use bond proceeds for the costs already incurred. General Manager Thorner explained that the Headworks Screening Projects still has planned expenses that the bond proceeds can be used for, and that the District can only use the proceeds for costs starting 60 days before the resolution is approved.

Director Maloni inquired about the compensation the proposed financing team of Fieldman and Stradling Yocca Carlson & Rauth will receive. General Manager Thorner explained that it is a set fee amount, and Mr. Lawrence Chan from Stradling Yocca Carlson & Rauth confirmed.

Director Maloni and Director Meyers agreed to bring the agenda item and proposed resolution to the board for the February meeting.

11. PINNACLE CFD FORMATION (VERBAL REPORT)

The committee received a verbal report from Finance Manager Mendez updating them on the status of a request received by the District from the Pinnacle at Santa Fe Valley Developer (Pinnacle Developer) about forming a community facility district (CFD) as activity around it has recently started back up after having subsided. Finance Manager Mendez noted that this item was last brought to the committee in May of 2025. Finance Manger Mendez gave background on the item, explaining that the Pinnacle Developer is interested in issuing Mello-Roos bonds through a Community Services District (CSD) through California Statewide Development Authority (CSCDA) to fund the development, with CSCDA assuming the liability for the bonds. Finance Manager Mendez explained how the District would have to consent to the formation of the CSD through a Board Resolution. Finance Manager Mendez noted that the Pinnacle Developer has paid a deposit to the District to cover staff time spent on the CFD formation.

Director Meyers asked how the District would benefit from passing the resolution to allow the formation of the CSD. General Manager Thorner explained that the funds would be used to build a new development within the Districts service area leading capacity fees and a new tank contributed by the developer.

Director Meyers asked what the District's liability or exposure would be if the board passed the resolution to allow the formation of the CSD. Lawrence Chan from Stradling

Yocca Carlson & Rauth, District's bond counsel, replied that the District would have no liability or exposure, and that CSCDA is assuming the liability for the bonds.

General Manager Thorner ended by reiterating that this is an informational item and staff is not requesting any committee or board action at this time.

11. CONSIDER REVIEW AND COMMENTS ON AN ORDINANCE AMENDING OLIVENHAIN MUNICIPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 2 – Organization of Board of Directors) TO BE BROUGHT TO THE FEBRUARY BOARD MEETING

The committee received a verbal report from General Manager Thorner to preview the per-diem and official business Ordinance before it is presented to the full board at the February meeting. General Manger Thorner noted that staff requested new language be added to the Admin Code (Article 2 – Organization of Board of Directors) to specify what meetings and events are authorized for per diems as this is required by AB 1234. General Manager Thorner explained that AB 1234 requires agencies to specify what meetings qualify for per diems ahead of attendance. The District's current procedure allows for certain meetings and events to be deemed as qualified after the fact by board approval at the subsequent board meeting. The new language clarifies qualified events and requires the board to vote to approve non-listed events at the meeting prior to attendance rather than subsequent to, bringing the District in line with the requirements under AB 1234.

Director Meyers inquired if the required notices have been sent out for the per-diem increase. General Manager Thorner stated that yes, a notice was placed in the newspaper on February 6th and another notice will be placed in the newspaper on February 13th.

12. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

13. ADJOURNMENT

The meeting was adjourned at 4:21 p.m.