

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

April 12, 2022

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, April 12, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference.

President Watt called the meeting to order at 10:00 a.m. In attendance were Lawrence A. Watt, Board President; Christy Guerin, Board Treasurer; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; George Mileon, Senior System Analyst; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst. Also in attendance via teleconference was Julio Morales from Urban Futures Inc to present on agenda item 6. Director Meyers was in attendance to audit the Finance Committee meeting but did 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 Director Guerin and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE FEBRUARY 9, 2022 REGULAR FINANCE COMMITTEE MEETING

Director Guerin moved to approve the February 9, 2022 meeting minutes, seconded by Director Watt and carried unanimously.

6. CONSIDER DISCUSSION ON OLIVENHAIN MUNICIPAL WATER DISTRICT PENSION FUNDING PLAN AND POLICY

Finance Manager Selamat presented the agenda item to the committee and introduced Julio Morales from Urban Futures, Inc. Mr. Morales presented the Fresh Start plan to

the committee with two (2) pension funding plan options to pay down the District's unfunded pension liability over either an 8-year period or a 10-year period. Mr. Morales commented that the 8-year plan has an annual payment of \$1.8 million and would save the District approximately \$2.7 million in unfunded liability payments to CalPERS by accelerating the payments. Mr. Morales stated that the 10-year plan includes a reduced annual payment of \$1.5 million to minimize the annual financial impact on the District and would result in savings of approximately \$1.86 million in unfunded liability payments. Finance Manager Selamat commented that having consistent annual payment to CalPERS going forward would help reduce pressures on future water and sewer rates by not having to generate more revenues to pay for a higher payment to CalPERS from year to year.

In addition to the two pension funding plans, Mr. Morales also presented an option for the District to create a pension reserve fund to earmark funds for future pension obligations. Mr. Morales stated the reserve fund could be in the form of a 115 Trust that would allow the District more flexibility in investment options but is more restrictive in that the funds could be used for CalPERS pension payments only. An alternative option would be to place the funds in a pension reserve fund within the District instead which would give the District more flexibility in how the money is spent but is more restrictive from an investment standpoint, likely leading to lower yields.

Finance Manager Selamat stated that each plan presented along with a pension reserve fund would allow the District to meet its pension funding target of 85% or more with the goal being 100% funded. The committee stated they like the flexibility of a pension reserve fund versus the 115 Trust and support staff's recommendation for the 10-year Fresh Start plan with annual payments of \$1.5 million. Finance Manager Selamat thanked the committee for their feedback and stated that staff will be presenting the two options to the full board at the April 20 board meeting.

7. REVIEW AND DISCUSS DRAFT OF FISCAL YEARS 2023 AND 2024 OPERATING AND CAPITAL BUDGET

Finance Manager Selamat reviewed the budget development process with the committee and noted that staff is still updating certain budget items as new data becomes available and will present a final version of the budget to the full board at the May board meeting for consideration. Finance Manager Selamat presented the operating revenue and expenditure assumptions used in the preliminary draft biennial budget for fiscal years 2023 & 2024. Projected cost increases such as purchased water wholesale costs pass-through, purchased recycled water wholesale costs pass through, inflationary adjustments and supply chain issues, and District's labor and benefits were presented and discussed. Finance Manager Selamat mentioned that increases to the labor and benefit costs are estimated based on the recent 2022 Memorandum of Understanding (MOU) conducted between the District and its Employee Association and

Bargaining Unit Members Association. Director Watt asked if the District's labor increases are tied to the San Diego Consumer Price Index (CPI). Finance Manager Selamat confirmed that District labor adjustments are partly calculated using changes in the San Diego CPI up to a maximum increase of 3.5% specific to CPI per the MOU.

Finance Manager Selamat then presented economic uncertainties that could have a financial impact on the District over the next two years such as future pass-through wholesale purchased water costs from the District's suppliers, demand variability due to forecasted drought conditions and/or potential executive orders restricting water use from the Governor of California, and continued inflationary pressures and increases in supply costs.

Following the biennial operating budget Finance Manager Selamat presented the Capital Expenditures and Spending plan to the committee. Finance Manager Selamat presented a summary of the significant projects taking place over the biennial budget period (fiscal years 2023 and 2024), the summary of proposed equipment purchases for each fiscal year, and the 10-year capital improvement plan (CIP) for both the water and wastewater funds. The committee had several follow up questions on the equipment purchases presented which were addressed during the meeting.

Finance Manager Selamat gave an overview of the District's five-year reserve projections of the operating, capital improvement, and rate stabilization reserve fund balances for water (potable and recycled) and wastewater (sewer) operations. Finance Manager Selamat reported that all reserve funds are projected to be within Board Reserves Policy minimum and maximum limits over the next five years.

The committee agreed to bring the preliminary draft biennial operating and capital budget for fiscal years 2023 and 2024 before the full board at the April 20 meeting for discussion and consideration.

8. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

9. ADJOURNMENT

The meeting was adjourned at 11:34 a.m.