

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

**May 9, 2022**

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, May 9th, 2022 at the District office, 1966 Olivenhain Road, Encinitas, California via video conference.

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; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II.

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 APRIL 12, 2022, SPECIAL FINANCE COMMITTEE MEETING

Director Guerin moved to approve the April 12, 2022, meeting minutes, seconded by Director Watt and carried unanimously.

6. CONSIDER QUARTERLY INVESTMENTS AND CASH REPORTS (1ST QTR 2022)

Finance Manager Selamat reviewed the investment report as of March 31, 2022, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that yields for short-term maturity securities continue to increase due to 2022 Fed rate hikes to combat higher inflation. Inflation continued to run hot with the consumer price index (CPI) increasing 8.5% over the past year. Given continued upward pressure on Treasury yields, Finance Manager Selamat stated that the District plans to

invest its cash reserves in CAMP and U.S Treasury Bills at higher yields and attractive spreads. Finance Manager Selamat anticipates the District's investments in U.S Agency Securities will be held until maturities.

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. CONSIDER AND DISCUSS DRAFT OF OLIVENHAIN MUNICIPAL WATER DISTRICT PENSION FUNDING PLAN AND POLICY

Finance Manager Selamat presented the Pension Funding Policy (Policy) to the committee for consideration and approval to present to the full Board at the June meeting. Finance Manager Selamat commented that the Policy would allow the District to implement a Fresh Start that re-amortizes the District's Unfunded Accrued Liability (UAL) over a shorter time, and would also allow the District to make additional discretionary payments (ADPs) annually to CalPERS resulting in a quicker pay-off of its pension obligation, and achieve long-term savings for the District. A 14-year Fresh Start and a \$311,000 ADP each year were included in the Staff's proposed funding plan to meet the District's funding goal for discussion.

Finance Manager Selamat also noted the Policy would allow the District to create a Pension Stabilization Fund. The District will make annual contributions from excess funds available in its Water Operating Fund and Sewer Operating Fund to the District's Pension Stabilization Fund to help stabilize pension costs and achieve the District's funding goal. Finance Manager Selamat added that the Board retains discretion over the funds in the District's Pension Stabilization Fund.

Director Watt asked for clarification on the term Fresh Start and recommended adding a glossary section to the end of the Policy. Finance Manager Selamat responded that Fresh Start is a term used by CalPERS to describe combining multiple amortization bases into a single base and stated that staff will add a glossary of terms section as recommended by Director Watt for consideration and approval by the full Board at the June meeting.

Director Watt inquired about the additional discretionary payments included in the Policy. Finance Manager Selamat stated additional discretionary payments are optional payments that reduce the District's CalPERS Unfunded Accrued Liability and will be subject to approval by the Board as part of the District's budget.

Director Guerin commented that she likes the flexibility of the Policy and that it allows the Board to make the District's pension funding decision annually after staff presents an update of the funding status to the Board in December of each year.

The committee agreed to bring the Policy before the full Board for consideration and approval at the June meeting.

8. CONSIDER AND DISCUSS PROPOSED CHANGES TO DRAFT OPERATING AND CAPITAL BUDGET FOR FISCAL YEARS 2023 AND 2024

Finance Manager Selamat presented the proposed changes to the Draft Operating and Capital Budget for Fiscal Years 2023 and 2024 to committee for consideration and approval to present to the full Board at the May meeting. Finance Manager Selamat reported that the most significant changes to the operating budget were a \$91 thousand reduction in purchased water wholesale costs for potable water based on revised cost estimates provided by the supplier, and a \$99k increase in property insurance based on the actual quote received by the carrier. Finance Manager Selamat further reported that the capital budget revisions include an increase of approximately \$417 thousand in capital project spending over the biennial budget period primarily from the addition of two projects, and a reduction of \$39 thousand in equipment purchases by delaying the purchase of one District vehicle until Fiscal Year 2025.

The committee recommended bringing the revised budget before the full Board for consideration and approval at the May 2022 meeting.

9. CONSIDER AND DISCUSS FISCAL YEAR 2022/23 SEWER RATES AND CHARGES

Finance Manager Selamat presented the agenda item to the committee noting this is an informational item only. Finance Manager Selamat presented the sewer rate ordinance adopted by the Board in May 2021 which establishes sewer rates over the next five years. Finance Manager Selamat stated the District intends to increase sewer rates 3% effective July 1, 2022, per the approved ordinance and commented that annual adjustments to the District's sewer services charges are needed to pay for costs of providing wastewater collection and treatment services in the District's sanitation districts, as well as to pay for costs to construct capital improvements needed to replace and refurbish the aging wastewater collection and treatment facilities. Finance Manager Selamat concluded her report to the Committee by stating that the District's sewer customers will be notified of the sewer rate increase either on their May monthly water bill or by a printed newsletter mailed at the end of May.

The committee had no follow up questions.

10. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 11:45 a.m.