

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

**August 9, 2022**

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, August 9th, 2022, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

President Watt called the meeting to order at 2:00 p.m. In attendance were Lawrence A. Watt, Board President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst II. It was noted that Director Guerin, Board Treasurer, was unable to attend the meeting. Per the District's Administrative and Ethics Code, Finance Manager Selamat acted as Deputy Treasurer for the meeting.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Finance Manager Selamat and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 9, 2022, SPECIAL FINANCE COMMITTEE MEETING

Director Watt moved to approve the May 9, 2022, meeting minutes, seconded by Finance Manager Selamat and carried unanimously.

6. CONSIDER QUARTERLY INVESTMENTS AND CASH REPORTS (2ND QTR 2022)

Finance Manager Selamat reviewed the investment report as of June 30, 2022, with the committee. Cash and investments were discussed. 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.

Finance Manager Selamat further reported that yields for short-term maturity securities have almost doubled over the past year due to increased borrowing rates and increasing yields on Treasury securities. Finance Manager Selamat commented that the rapid increase in investment yields across the market has led to a significant unrealized loss on the District's investments as of June 30, 2022, so the District will be booking a fair market value adjustment on the year-end financial statements to recognize the decreased market value of its investments. Finance Manager Selamat commented that the District does not intend to sell any of its investments prior to maturity so will likely not realize a loss, but per the Governmental Accounting Standards Board Statement No. 72, a fair market value adjustment is required at year-end.

7. DISCUSS AND RECOMMEND TREATMENT OF THE THIRD AND FOURTH PAYMENTS RECEIVED FROM SAN DIEGO COUNTY WATER AUTHORITY OF APPROXIMATELY \$499,000 FOR REFUNDS ON ATTORNEY FEES IN THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA LITIGATION

Finance Manager Selamat presented the agenda item to the committee along with two options for how the District can best utilize the third and fourth refund payments. Finance Manager Selamat stated the Board elected to refund the first two payments, totaling approximately \$3.6 million, to District customers in the form of a Rate Reimbursement Credit to be applied against future water purchases over a six-year period. Finance Manager Selamat stated that staff is recommending the District place the third and fourth refund payments in the District's Water Revenue Fund (Operating Reserves) and be used to offset future water rate increases in the next fiscal year, with the alternative option being to extend the Rate Reimbursement Credit another year. General Manager Thorner added that the first two rebate payments received from San Diego County Water Authority (SDCWA) were for unlawful water fees charged by Metropolitan Water District of Southern California (MWD), whereas the third and fourth payments were for reimbursement of attorney fees and other costs related to the lawsuits.

Director Watt stated he liked both options presented noting the staff-recommended option to offset rate increases next year benefits District customers in the near term, whereas extending the Rate Reimbursement Credit another year benefits customers further into the future. Director Watt recommended bringing both options to the full Board for consideration at the August 17<sup>th</sup> Board meeting.

8. CONSIDER AND DISCUSS 2022 WATER CAPACITY FEE UPDATE (VERBAL REPORT)

Finance Manager Selamat provided a verbal update on the District's 2022 capacity fees and staff's recommendation to increase water capacity fees by 3.8% to keep up with annual changes in construction costs. Finance Manager Selamat stated the District has historically used the Engineering News Record Construction Cost Index in Los Angeles (ENR CCI-LA) to keep up with annual inflationary adjustments to the District's capital

improvement program. This practice is consistent with the District's Administrative and Ethics Code (Article 13). Director Watt commented that a 3.8% increase seems reasonable with the current rate of inflation and had no additional comments or questions.

9. REVIEW AND DISCUSS 2022 WATER RELATED SERVICE FEES

Accounting Supervisor Mendez presented staff-recommended changes to certain water related service fees charged by the District. Accounting Supervisor Mendez commented that on an annual basis Staff conducts a review of the District's water related service fees to ensure that the District is recovering its costs. Based on this review, Staff discovered the current fee for certain water related services are not covering the costs of providing the service, therefore, Staff is recommending an increase in the fee to pay for the cost of providing the service for the committee's consideration and approval.

Director Watt agreed with the increase in fees as presented and had questions on some of the services provided which were addressed during the meeting. Director Watt recommended bringing the agenda item before the full Board for consideration and approval at the August 17<sup>th</sup> Board meeting.

10. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 2:34 p.m.