

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
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Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: THURSDAY, AUGUST 15, 2019

TIME: 9:00 A.M.

PLACE: DISTRICT OFFICE

Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their Priority Is Determined By The Committee

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE JULY 11, 2019 SPECIAL FINANCE COMMITTEE MEETING
6. REVIEW OF QUARTERLY INVESTMENTS AND CASH POSITION REPORTS (DRAFT JUNE 2019 INVESTMENT REPORT)
7. CONSIDER FUTURE AGENDA ITEMS
8. ADJOURNMENT

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

July 11, 2019

A special meeting of the Finance Committee of Olivenhain Municipal Water District was held on Thursday, July 11, 2019, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 11:05 a.m. In attendance were Edmund K. Sprague, Board President and Division 5 Director; Lawrence A. Watt, Treasurer and Division 2 Director; Kimberly Thorner, General Manager; Joseph Randall, Assistant General Manager; Rainy Selamat, Finance Manager; John Carnegie, Customer Services Manager; Leo Mendez, Accounting Supervisor; and Jared Graffam, Financial Analyst.

Also in attendance were Sudhir Pardiwala, Executive Vice President at Raftelis Financial Consultants; Hannah Phan, Project Manager at Raftelis Financial Consultants; Jordan Keny-Guyer, Associate at Stifel, Nicolaus & Company, and Steve Linke, OMWD customer. Via teleconference: Robert Porr, Senior Vice President at Fieldman, Rolapp & Associates, Inc.; Lawrence Chan, Associate with Stradling Attorneys at Law; and Sara Mares, NBS.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA

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

4. PERSONAL APPEARANCES AND PUBLIC COMMENTS

Steve Linke requested to speak on Agenda Item 7 with regards to the Cost of Service Study and future rate adjustments. His comments are described below in item 7.

5. CONSIDER APPROVAL OF THE MINUTES OF THE JUNE 5, 2019 SPECIAL FINANCE COMMITTEE MEETING

Director Sprague moved to approve the June 5, 2019 meeting minutes, seconded by Director Watt and carried unanimously.

6. REVIEW AND DISCUSS THE ISSUANCE OF OLIVENHAIN MUNICIPAL WATER DISTRICT REASSESSMENT DISTRICT NO. 96-1 LIMITED OBLIGATION REFUNDING BONDS, SERIES 2019

Robert Porr from Fieldman, Rolapp & Associates, Inc. provided a summary of the District's Reassessment District No. 96-1 refinance opportunity. Mr. Porr noted that private placement of the offering over public will attract more favorable rates and allow for quicker turnaround. Mr. Porr also noted that Stifel, Nicolaus & Company were engaged and obtained seven bids from seven financial institutions, with JP Morgan as the lowest bidder.

Mr. Porr stated the refinance will save ratepayers within the Reassessment District 96-1 approximately \$15 a parcel annually, or a total annual debt service savings of approximately \$350,000 over the remaining eight years of the bond. Mr. Porr recommended the Finance Committee move forward with the transaction due to the significant savings.

Finance Manager Selamat explained to the Committee the Refunding Bonds need to be done before the County's deadline to submit reassessments on August 10, 2019 and the bond call date on September 2. If the refinancing approved by the Board, the deal is planned to be closed on July 20, 2019. General Manager Thorner requested approval from Director Sprague and Director Watt to include a resolution for the refinance of the bonds at the July Board meeting. Director Sprague and Director Watt agreed to bring the resolution before the full Board.

7. REVIEW AND DISCUSS 2019 WATER COST OF SERVICE STUDY- WATER RATE OPTIONS PRESENTED BY RAFTELIS

Hannah Phan from Raftelis presented the Water Rates Workshop. Included in Raftelis' presentation was an overview of the revised financial plan, based on input received at the June 5 Financial Plan Workshop with the Committee, cost of service allocation methodology, and water pricing alternatives.

Ms. Phan mentioned that the revised financial plan includes a reduction of the FY 2020 rate increase from 4.8% to 3.7%. Rate increases for FY 2021 through FY 2024 are still contemplated at 5% per year for purposes of the study. Ms. Phan added that the increases will allow the District to meet its debt coverage and reserve balance requirements over the next five years.

Ms. Phan explained that the cost of service allocation methodology for the proposed plan is consistent with the 2014 rate study and that peaking costs have been allocated across all tiers.

Ms. Phan presented three rate-structure designs which included low, medium, and high fixed-cost alternatives. The three rate-structure designs recover the revenue requirement from fixed charges at 20%, 25%, and 30%, respectively. Ms. Phan demonstrated the effect of each scenario to users in different tiers and classes. Ms. Phan also presented an additional three water pricing alternatives in which property tax revenue was used to reduce Tier 1 rates for domestic customers only. Pros and cons related to the alternatives were discussed during the meeting.

Customer Steve Linke presented his concerns over the cost allocation method remaining the same as in 2014. Mr. Linke stated he has presented to the Board and wrote letters to the Board urging the Board to shift some of the fixed charges within the allocation model to variable charges. Mr. Linke added that the San Diego County Water Authority (SDCWA) fixed costs that are passed through to its member agencies are multi-year rolling average charges based on each agency's volume of water purchases over multiple years, and therefore should be considered variable costs. Mr. Linke emphasized that per the proposed plan; low users have the biggest increases compared to high users and asked the District to re-evaluate the rate structure.

Director Sprague thanked Mr. Linke for presenting his concerns to the Committee. Director Sprague discussed the challenges involved in creating a rate structure that affects users of all types. Director Sprague expressed concern over revising the rate structure while being able to meet the districts required debt coverage, reserve balances, and maintain its AAA bonds rating which saves the district money.

Director Watt stated that having 52% of the District's cost drivers under the control of SDCWA makes it difficult to reduce fixed costs. Director Watt stated he is in favor of rate models that have annual incremental adjustments that allow the District to meet its needs while preventing large rate increases for rate payers.

Mr. Linke thanked Director Sprague and Director Watt for their time.

The Committee agreed to eliminate water pricing alternatives that would apply property tax revenue to only Tier 1 domestic users instead of all customer classes from consideration.

Director Sprague and Director Watt requested that the low, mid, and high fixed-fee plan designs with property tax used to offset all customer classes be brought to the July 24th Board meeting for a vote.

8. CONSIDER FUTURE AGENDA ITEMS

No future agenda items were considered.

9. ADJOURNMENT

The meeting was adjourned at 12:30 pm.

Memo

Date: August 15, 2019
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: QUARTERLY INVESTMENT AND CASH POSITION REPORTS (INFORMATION ONLY)

Purpose

The purpose of this agenda is to provide second quarter (Q2) 2019 investment and cash information to the Finance Committee per the District's Investment Policy.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2018 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments and cash position to the Finance Committee for review and discussion.

Discussion

As of June 30, 2019, all investments are in compliance with the Board's Investment Policy. Staff will be available during the meeting to answer any questions that the Committee may have on the attached report.

Attachment: Monthly Cash and Investment Summary as of June 30, 2019 (Draft)

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of June 30, 2019

Active Deposits

	Book Value
Checking Accounts	\$ 5,510,458
Cash Restricted for Specific Use	3,803,591
Petty Cash/Disaster Preparedness	1,476
Total Active Deposits	\$ 9,315,524

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	3,225,581
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Investments	Face Value	Market Value	Current Yield	
LAIF	\$ 10,421,748	10,439,587	2.43%	\$ 10,421,748
CAMP	20,660,985	20,660,985	2.48%	20,660,985
Money Market Funds	1,116,804	1,116,804	2.01%	1,116,804
Municipal Bonds	3,927,342	3,946,573	2.38%	3,958,124
U.S. Treasury Securities	9,023,000	8,958,925	2.10%	8,830,302
U.S. Agency Securities	28,264,286	28,252,033	1.90%	28,264,486
Total Investments	\$ 73,414,164	\$ 73,374,907	2.19%	\$ 73,252,449

Total - All Deposits/Investments

\$ 85,793,554

Maturity Analysis of Investments

	Percent	Balance
Demand Deposits	44.0%	\$ 32,199,537
Maturity within the next two months	6.3%	4,596,732
Maturity within three months and one year	20.9%	15,336,100
Maturity beyond one year	28.8%	21,120,080
Total Investments	100.0%	\$ 73,252,449

Weighted Average Days to Maturity

262

Other Required Disclosures:

Accrued interest receivable as of 06/30/2019 \$ 234,409

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2018.

The District has sufficient funds on hand to meet the next 30 days' obligations.

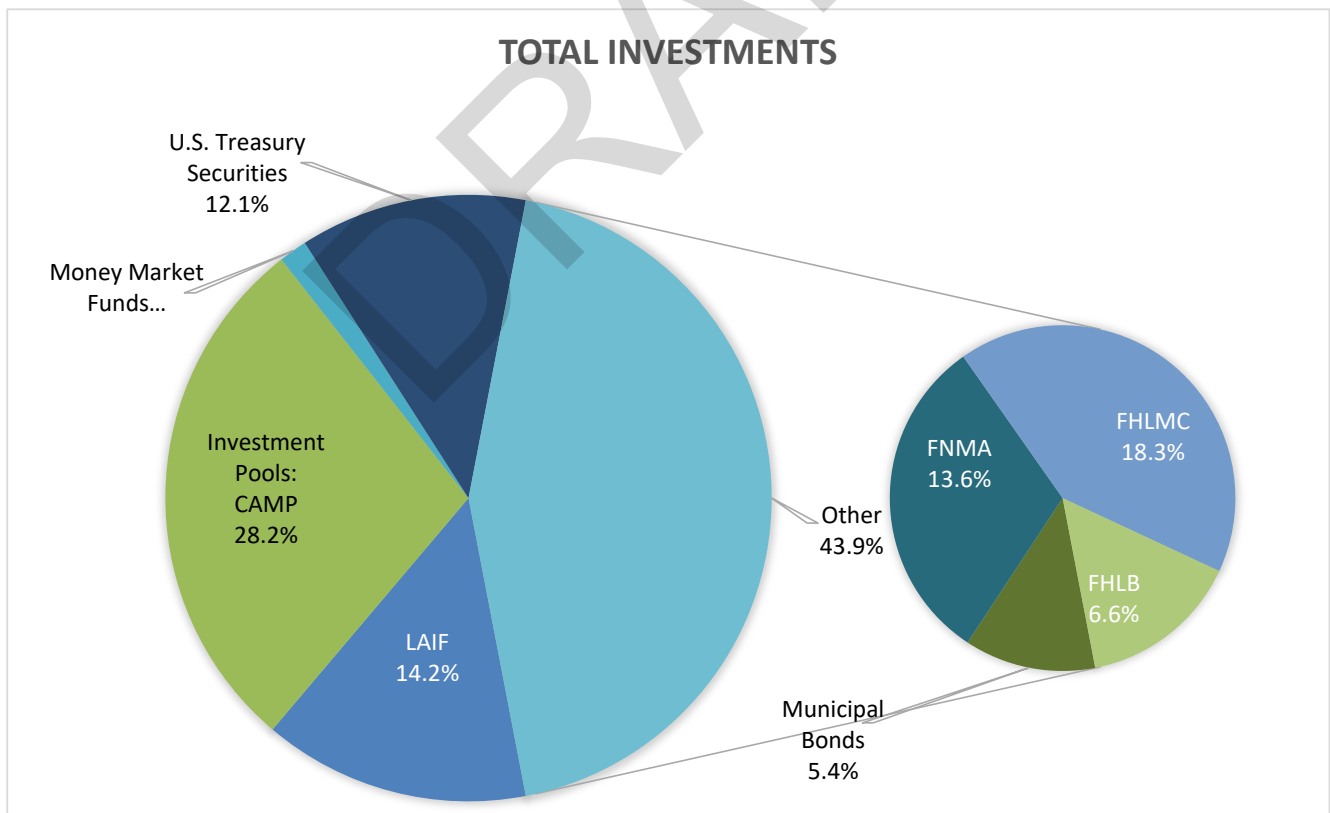
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
June 30, 2019

	<u>Book Value</u>	<u>Percent</u>	<u>Permitted Percent</u>	<u>In Compliance?</u>
LAIF	\$ 10,421,748	14.2%	30.0% (1)	Yes
Investment Pools: CAMP	20,660,985	28.2%	30.0%	Yes
Money Market Funds	1,116,804	1.5%	20.0% (2)	Yes
U.S. Treasury Securities	8,830,302	12.1%	100.0% (3)	Yes
Municipal Bonds	3,958,124	5.4%	30.0%	Yes
U.S. Agency Securities	28,264,486	38.5%	50.0%	Yes
<i>FNMA</i> <i>Fannie Mae</i>	9,997,200	13.6%		
<i>FHLMC</i> <i>Freddie Mac</i>	13,403,000	18.3%		
<i>FHLB</i> <i>Federal Home Loan Bank</i>	4,864,286	6.6%		

Total Investments **\$ 73,252,449** **100%**

Note:

- (1) No more than 30% of the total value of all District Investments or \$20 million.
- (2) May not exceed 5% in any money market fund.
- (3) No limit



* Total may not add up to 100% due to rounding.

**Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
June 30, 2019**

ACTIVE DEPOSIT

	Book Value
Checking A/C California Bank and Trust for General Purpose	5,510,457.78
California Bank and Trust for Specific Purpose	3,803,590.64
Petty Cash/Disaster Preparedness	1,475.91
Total - Active Deposits	9,315,524.33

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - AD 96-1 Refunding Bond	2,842,852.64
Union Bank - 2015A Refunding Bond	224,457.36
SRF Loan	1,070.22
Union Bank - 2016A Refunding Bond	87,671.23
Union Bank - 2018 Revenue Bond	69,529.12

Total Deposits Not Covered by Investment Policy

3,225,580.57

RATING	DATE					Weighted Average Days to Maturity	Call	Stated Coupon	Current Yield	Market Value	Face Value	Book Value
	Moody's	S&P	Purchase	Maturity	Next Call							

INVESTMENTS

Invest. Pools Calif. Asset Mgmt Prgm (CAMP)				Demand		1			2.48%	\$ 20,660,985	\$ 20,660,985	20,660,985
State Local Agency Investment Fund (LAIF)				Demand		1			2.43%	10,439,587	10,421,748	10,421,748
JP Morgan US Gov't Money Market Fund Premier Class SHS				Demand		1			2.01%	1,116,804	1,116,804	1,116,804

U.S. Treasury Notes/Bills

912828V31	U.S. Treasury Notes	Aaa	--	01/23/18	01/15/20			200	1.38%	1.38%	996,170	1,000,000	987,831
912833LA6	US Treasury Strips	--	--	08/23/18	08/15/20			413	2.57%	2.63%	979,260	1,000,000	950,990
912828L99	U.S. Treasury Notes	Aaa	--	10/17/18	10/31/20			490	1.38%	1.38%	1,987,040	2,000,000	1,942,216
912796R7	U.S. Treasury Bill	--	--	02/12/19	01/30/20			215	2.50%	2.47%	988,740	1,000,000	976,338
912828A83	U.S. Treasury Notes	Aaa	--	02/12/19	12/31/20			551	2.47%	2.36%	1,007,890	1,000,000	998,196
912796SD2	U.S. Treasury Bill	--	--	02/28/19	02/27/20			243	2.52%	2.56%	986,960	1,000,000	975,379
912796SK6	U.S. Treasury Bill	--	--	03/29/19	09/26/19			89	2.39%	2.36%	2,012,865	2,023,000	1,999,352
								308	2.08%	2.10%	\$ 8,958,925	\$ 9,023,000	\$ 8,830,302

U.S. Agency Securities

3135G0J95	FNMA Callable	Aaa	AA+	04/28/16	10/28/19	07/28/19		121	29	1.35%	1.35%	997,490	1,000,000	1,000,000
3134G9ZN0	FHLMC Step-Up Callable	Aaa	AA+	06/30/16	06/30/20	09/30/19		367	93	1.50%	1.50%	1,000,070	1,000,000	1,001,000
3134G9UN5	FHLMC Step-Up Callable	Aaa	AA+	06/30/16	06/30/21	09/30/19	12/31/19	732	93	1.60%	1.61%	995,470	1,000,000	1,002,000
3135G0L76	FNMA Callable	Aaa	AA+	07/11/16	07/11/19	07/11/19		12	12	1.08%	1.08%	1,999,320	2,000,000	2,000,000
3136G3A96	FNMA Callable	Aaa	AA+	07/27/16	01/27/20			212		1.13%	1.13%	1,989,060	2,000,000	2,000,000
3134G92L0	FHLMC Step-Up Callable	Aaa	AA+	08/17/16	08/17/21	08/17/19	08/17/19	780	49	1.40%	1.41%	991,350	1,000,000	1,000,000
3136G3V85	FNMA Callable	--	AA+	08/24/16	02/24/20			240		1.25%	1.26%	994,880	1,000,000	1,000,000
3136G4DR1	FNMA Callable	Aaa	AA+	10/17/16	10/17/19			110		1.10%	1.10%	996,770	1,000,000	999,000
3136G4GE7	FNMA Callable	Aaa	AA+	11/15/16	11/15/19			139		1.13%	1.13%	1,992,320	2,000,000	1,998,200
3136G4KB8	FNMA Callable	Aaa	AA+	12/30/16	03/30/20	09/30/19		275	93	1.65%	1.65%	997,260	1,000,000	1,000,000
3134GAH64	FHLMC NTS	Aaa	AA+	01/26/17	07/26/19	07/26/19		27	27	1.50%	1.50%	399,784	400,000	400,000
3134GBQV7	FHLMC Callable	Aaa	AA+	05/30/17	11/22/19	08/22/19		146	54	1.50%	1.50%	997,830	1,000,000	1,000,000
3134GBT A0	FHLMC Step-Up Callable	Aaa	AA+	06/22/17	12/22/20	09/22/19	09/22/19	542	85	2.00%	2.00%	1,000,790	1,000,000	1,000,000
3130ABSP2	FHLB Callable	Aaa	AA+	07/26/17	07/26/19			27		1.50%	1.50%	999,460	1,000,000	1,000,000
3130ACTX2	FHLB Callable	Aaa	AA+	11/27/17	11/27/20			517		2.00%	2.00%	999,800	1,000,000	1,000,000
3130ADJ45	FHLB Callable	Aaa	AA+	01/30/18	07/30/21			762		2.38%	2.37%	1,000,420	1,000,000	1,000,000
3130A52Q1	FHLB	Aaa	AA+	04/20/18	04/20/22	Anytime		1,026	1	1.70%	1.70%	463,047	464,286	464,286
3130AEEK2	FHLB	Aaa	AA+	06/12/18	06/12/20	Anytime		349	1	2.47%	2.47%	400,012	400,000	400,000
3134GSTH8	FHLMC Callable	--	--	07/30/18	01/30/23	07/30/20		1,311	397	3.00%	2.97%	1,010,310	1,000,000	1,000,000
3130AEQC7	FHLB	Aaa	AA+	08/24/18	08/24/23	08/24/20		1,517	422	3.13%	3.09%	1,012,150	1,000,000	1,000,000
3130AF5N3	FHLMC Callable	--	--	10/29/18	10/29/21	10/29/19		853	122	3.15%	3.14%	2,007,480	2,000,000	2,000,000
3134GS3P8	FHLMC Callable	Aaa	AA+	02/27/19	08/27/21	08/27/19		790	59	2.65%	2.65%	2,002,120	2,000,000	2,000,000
3134GTF57	FHLMC Callable	Aaa	AA+	04/11/19	10/11/22	10/11/19		1,200	104	2.70%	2.70%	1,001,570	1,000,000	1,000,000
3134GTL C5	FHLMC	Aaa	AA+	05/10/19	11/10/22			1,230		2.52%	2.51%	1,002,950	1,000,000	1,000,000
3134GAUM4	FHLMC Callable	Aaa	AA+	05/13/19	10/28/19	07/28/19		121	29	2.50%	2.50%	1,000,320	1,000,000	1,000,000
								518	101	1.90%	1.90%	\$ 28,252,033	\$ 28,264,286	\$ 28,264,486

Municipal Bonds

95648XBJ3	WEST VA ECON REV	A1	AAA	01/12/17	07/01/19			2		1.70%	1.70%	455,000	455,000	455,592
675371AW8	OCEANSIDE CA PEN REV	-	AA	10/16/17	08/15/20			413		3.27%	3.23%	253,233	250,000	258,313
13066TYT5	CALIF ST DEPT REV	AA1	AA	12/02/16	05/01/21			672		1.71%	1.72%	470,703	472,342	467,000
13063DAC2	CALIFORNIA ST GO	AA3	AA-	04/09/18	04/01/21			642		2.63%	2.59%	1,012,610	1,000,000	999,620
052476N79	AUSTIN TEX WTR REV	AA2	AA	11/15/16	05/15/21			686		2.54%	2.53%	1,007,180	1,000,000	1,036,460
59087BVE4	METLIFE FUNDING	P-1	A-1+	02/20/19	08/14/19			46		2.47%	2.46%	747,848	750,000	741,141
								457		2.40%	2.38%	\$ 3,946,573	\$ 3,927,342	\$ 3,958,124
Total Investments								262		2.19%	2.19%	\$ 73,374,907	\$ 73,414,164	\$ 73,252,449

TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 85,793,554

**Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
June 30, 2019**

PURCHASED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		

MATURED / REDEEMED / CALLED

DATE				Investment Description	<i>Stated</i>	<i>Current</i>	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		<i>Coupon</i>	<i>Yield</i>		
06/28/19	06/28/22	06/28/19		FHLMC	3.000%	2.998%	1,000,000	1,000,000

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of June 30, 2019

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	\$ 1,475.91
10030-100	Cash - Capital and Equipment Fund	22,974,140
10010-100	Cash - Operating Fund	10,611,853
10060-100	Cash - Deposit Work for Other	190,208
10040-100	Cash - Rate Stabilization	8,240,097
10010-120	Cash - Recycled Fund	8,065,901
10030-120	Cash - Capital Replacement Fund	4,300,997
14005-100	Cash - IRWMP - Grant	85,785
Total Water Funds (Potable & Recycled)		\$ 54,470,456
<u>Wastewater Funds</u>		
10010-110	4S Ranch Sanitation District - Operating Fund	1,675,420
10030-110	4S Ranch Sanitation District - Capital Replacement Fund	11,911,153
10040-110	Wastewater - Rate Stabilization Fund	2,536,276
10010-111	Rancho Cielo Sanitation District - Operating Fund	320,997
Total Wastewater Funds		\$ 16,443,845
<u>Capacity Fee Funds</u>		
10030-400	Expansion Fund - Recycled Water	884,953
14000-500	Capacity Fee Fund - Treated Water	6,965,128
Total Capacity Fee Funds		\$ 7,850,081
<u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	322,207
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	7,580
14140-512	Cash non-agent - Bond 2018	3,473,183
Total Non Fiscal Agent Debt Service Cash		\$ 3,803,591
<u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	1,070
14100-570	Redemption fund - RAD 96-1	1,370,464
14110-570	Reserve fund - RAD 96-1	1,438,838
14120-570	Prepayment fund - RAD 96-1	33,550
14100-561	Redemption fund - Bond 2015A	224,457
14100-581	Redemption fund - Bond 2016A	87,671
14100-512	Redemption fund - CB&T 2018	69,529
Total Debt Service Funds		\$ 3,225,581
TOTAL FUND BALANCES		\$ 85,793,554