

**NOTICE OF A SPECIAL MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578
VIA TELECONFERENCE AND IN PERSON**

**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: TUESDAY, OCTOBER 4, 2022

TIME: 10:00 A.M.

PLACE: HYBRID SPECIAL MEETING VIA TELECONFERENCE AND IN PERSON

Pursuant to the State of California Executive Order, and in the interest of public health, OMWD is temporarily taking actions to mitigate the COVID-19 pandemic by holding Finance Committee meetings electronically or by teleconference. This meeting will be a hybrid of in person and teleconference. Our Boardroom will be open to the public.

To join this meeting via phone, please dial:

(669) 900-9128 or (253) 215 8782

Meeting ID: 867 9615 1396 and Password: 208359

*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 (FINANCE COMMITTEE MEMBERS: TREASURER, BOARD MEMBER, AND STAFF APPOINTED BY THE GENERAL MANAGER)
3. ADOPTION OF THE AGENDA

4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 9, 2022 REGULAR FINANCE COMMITTEE MEETING
6. CONSIDER AND DISCUSS WATER RATES AND CHARGES FOR 2023
7. CONSIDER FUTURE AGENDA ITEMS
8. ADJOURNMENT

**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 17th 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 17th 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.

Memo

Date: October 4, 2022
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER AND DISCUSS WATER RATES AND CHARGES FOR 2023**

A copy of staff's presentation is attached for discussion and consideration by the Committee.

Staff will make a presentation to the Committee and be available for discussion at the meeting.

Attachment: Presentation

2023 Pass-Through Increases and Adjustments (Potable and Recycled Water)

Special Finance Committee Meeting
October 4, 2022

OMWD Water Rate Pass-Through Ordinance

- The 2019 ordinance authorized the board to:
 - Pass through any increases in purchased water wholesale costs from SDCWA and any other wholesale water charge increases imposed on the District by its public agency water suppliers – Purchased Water Wholesale Pass-Through
 - Pass-through increases to SDCWA fixed monthly meter fees collected on water meters – SDCWA Infrastructure Access Charge
 - Pass-through increases to the District's Costs of Operations and Maintenance and Capital Facilities based on SDCPI-U – Inflationary Pass Through
 - Pass-through increases in water rates or any other charges mandated by the State of California and imposed on the District – CA Pass-Through
- All and all Pass-Through Increases and Adjustments of the above shall not exceed 9% per year from March 1, 2020 to December 31, 2024.
- In no event, will rates and charges be increased by more than the cost of providing water services
- Rate payers will be notified (written notice) at least 30 days prior to rate changes
- Board will set and approve rate increases each year

2023 Proposed Pass-Through Adjustments

- A 3.83% proposed pass-through adjustment to OMWD System Access Charge and a 6.62% proposed pass-through adjustment to OMWD Commodity Charge with Rate Reimbursement Credit of 6.9 cents per unit.
- An overall proposed revenue adjustment of 5.9% (including the Rate Reimbursement Credit) to pass through purchased water wholesale cost increases and inflation adjustment for 2023
- The Planned revenue adjustment for 2023 is 5%.

2023 Proposed Pass-Through Adjustments (cont'd)

- Purchased Water Wholesale Pass-Through
- SDCWA Supply Rate Increase of 7.5% effective January 1, 2023
- SDCWA Fixed Cost Increase of 1.3% (excluding IAC) effective January 1, 2023
- **Recycled water suppliers' rate increases of 6.7% (blended) effective July 1, 2022**
- Inflationary Pass-Through:
 - Based on over-the-year SDCPI-U increase for 2021: 6.35% (2nd half 2021 over 2nd half 2020)
- Fire Meter Charge
 - Based on the 2019 Water Cost of Service Study and Prop 218 Notice

Purchased Water Wholesale Pass-Through from SDCWA for 2023

Rates and Charges Faced by OMWD	CY 2022 Rates	CY 2023 Rates	\$ Increase	% Increase
Variable costs (per AF)				
Melded Supply Rate	\$ 1,009	\$ 1,085	\$ 76	7.5%
Transportation	173	173	0	0.0%
Untreated cost/AF	\$ 1,182	\$ 1,258	\$ 76	6.4%
Fixed costs (per calendar year)				
Storage	\$ 2,935,570	\$ 2,971,843	\$ 36,273	1.2%
Customer Service	1,168,693	1,207,649	38,956	3.3%
Supply Reliability Charge	1,849,508	1,982,179	132,671	7.2%
Infrastructure Access Charge	1,443,780	1,446,516	2,736	0.2%
MWD Capacity Charge	441,451	328,774	-112,677	-25.5%
MWD Readiness to Serve Charge (est) ¹	615,366	609,946	-5,420	-0.9%
Total Fixed Costs	\$ 8,454,368	\$ 8,546,907	\$ 92,539	1.1%

¹ Readiness to Serve charge is based on fiscal year

Purchased Water Wholesale Pass-Through from Recycled Water Suppliers

Recycled Water Rates					
Agency					
	Apr-21	Increase	Apr-22	Increase ¹	Apr-23
RSFCSD	\$ 794.97	3.8%	\$ 825.46	6.6%	\$ 879.91
	Jul-21	Increase	Jul-22	Increase	Jul-23
City of SD	\$ 755.33	13.4%	\$ 856.83	12.4%	\$ 962.68
	Jul-21	Increase	Jul-22	Increase	Jul-23
SEJPA ²	\$ 1,254.00	5.3%	\$ 1,320.00	5.2%	\$ 1,389.00
	FY '21	Increase ³	FY '22	Increase ⁴	FY '23
VWD	\$ 1,079.00	28.1%	\$ 1,382.00	3.5%	\$ 1,431.00

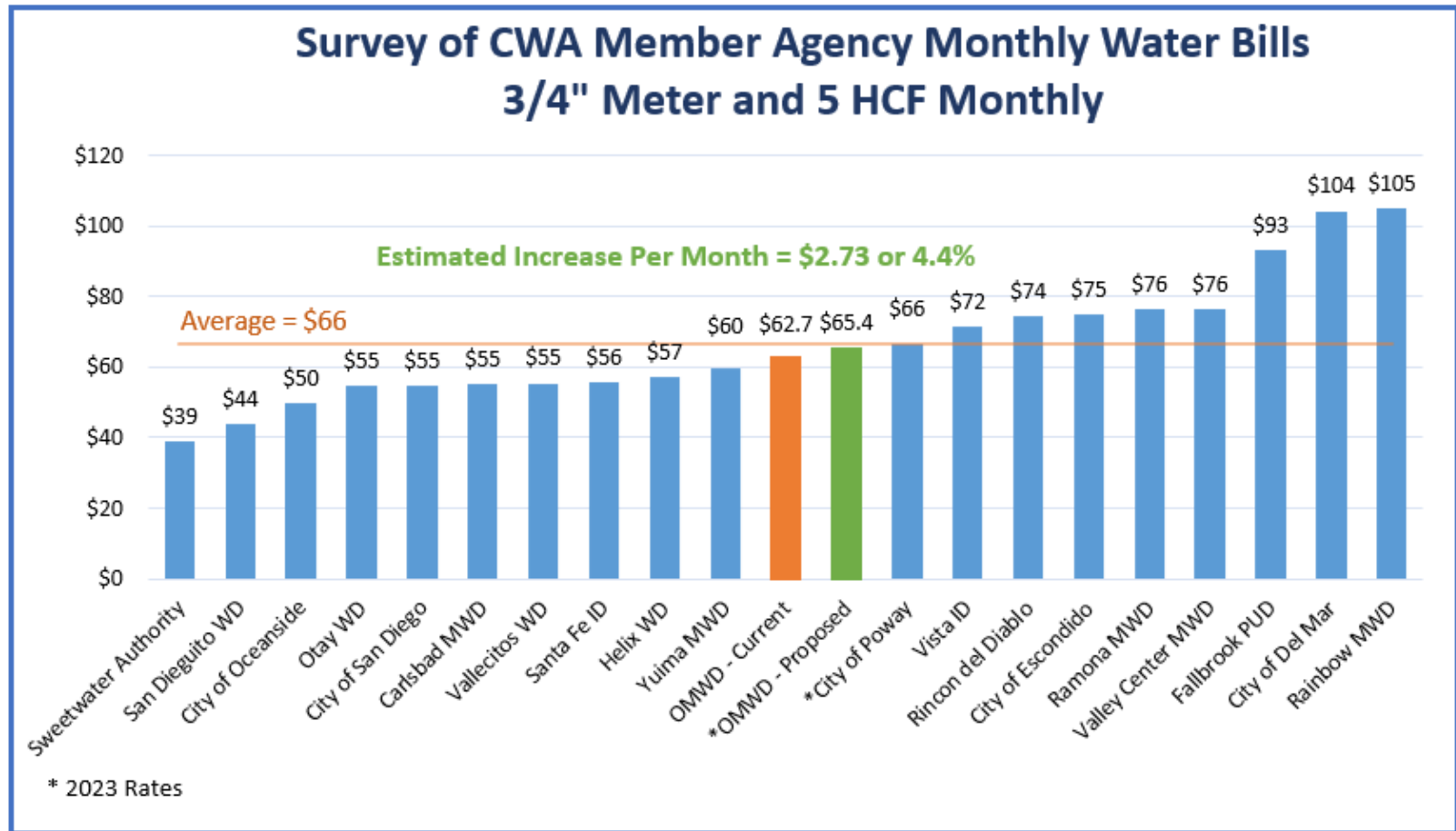
1 - Estimated increase based on OMWD proposed recycled rate adjustment

2 - SEJPA amounts are net of \$450 credit

3 - Estimated increase for FY '22 based on VWD budget - awaiting retrospective adjustment

4 - Estimated increase for FY '23 based on VWD budget

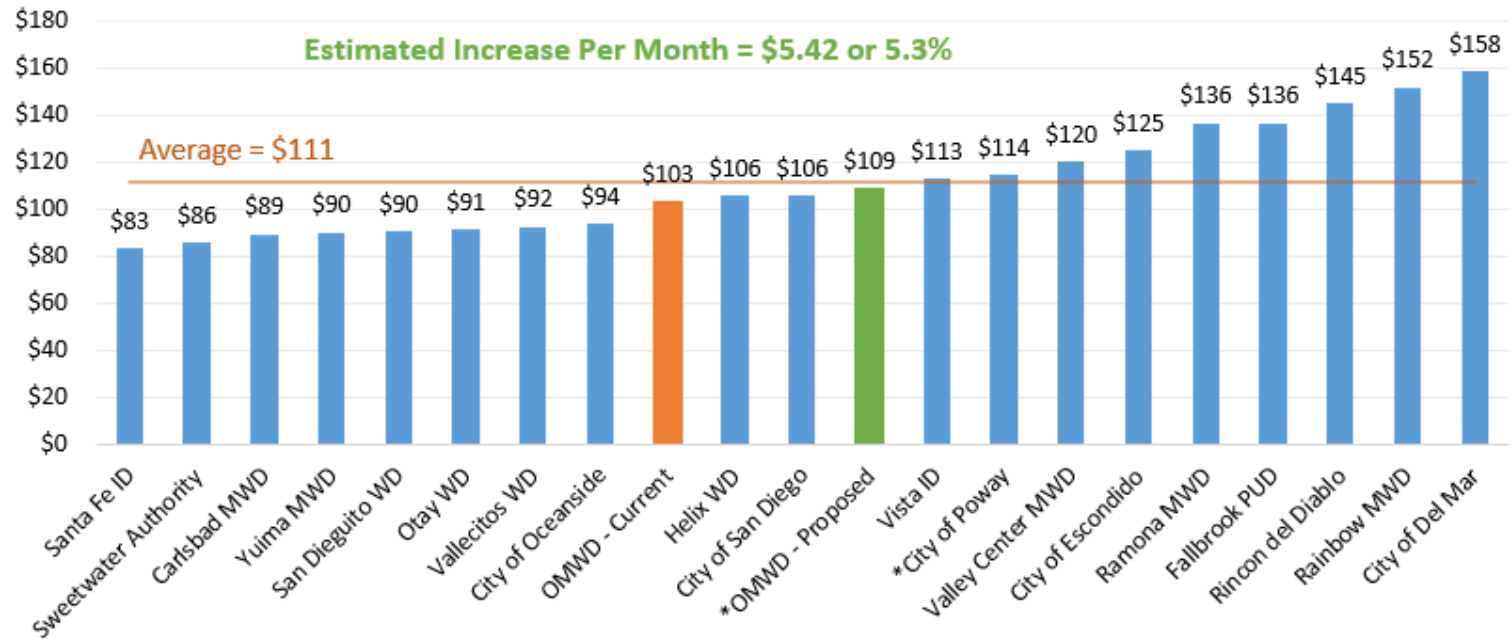
Monthly Water Bills for Single Family Residential (5 units)



OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

Monthly Water Bills for Single Family Residential (13 units)

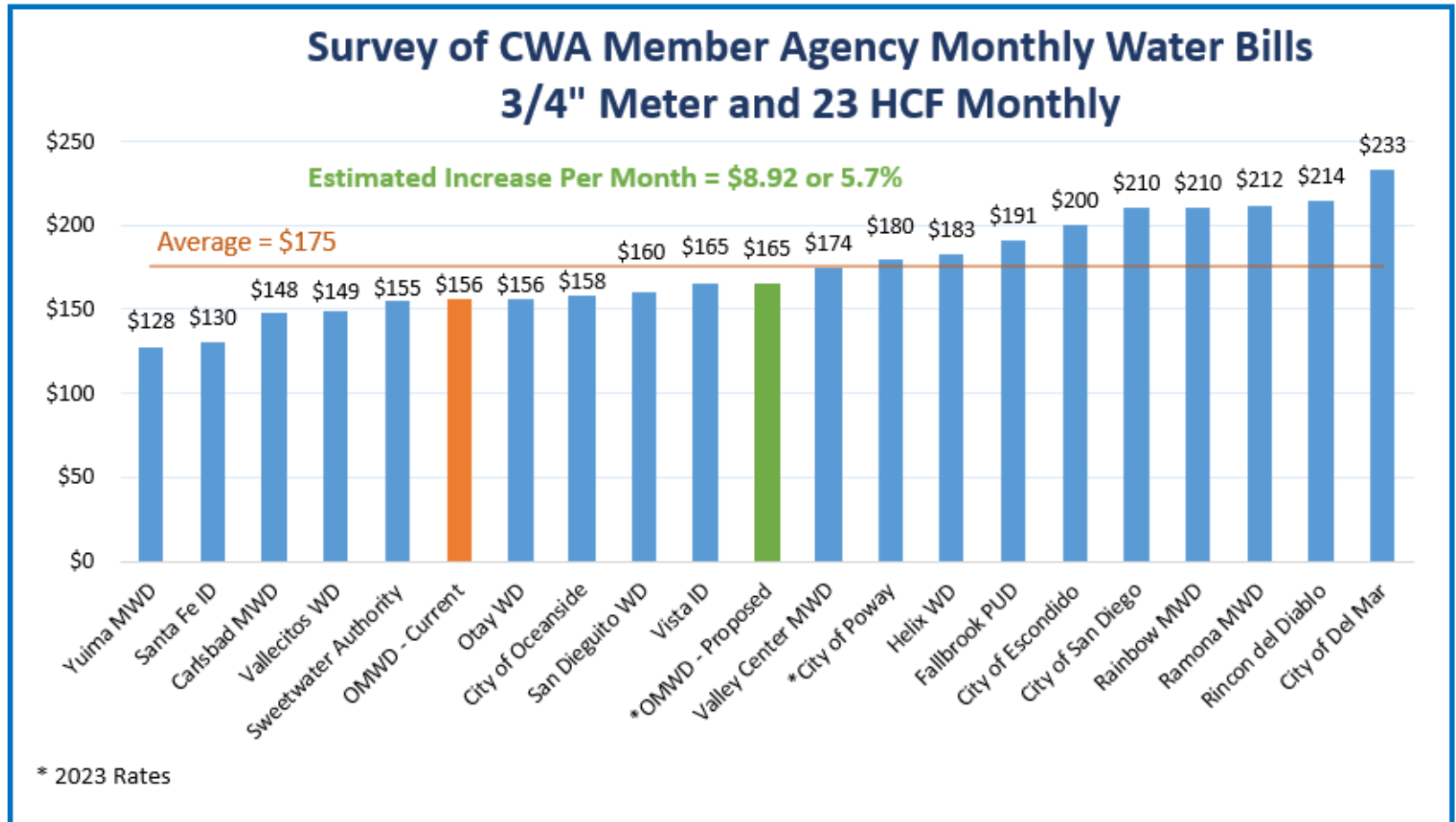
Survey of CWA Member Agency Monthly Water Bills 3/4" Meter and 13 HCF Monthly



* 2023 Rates

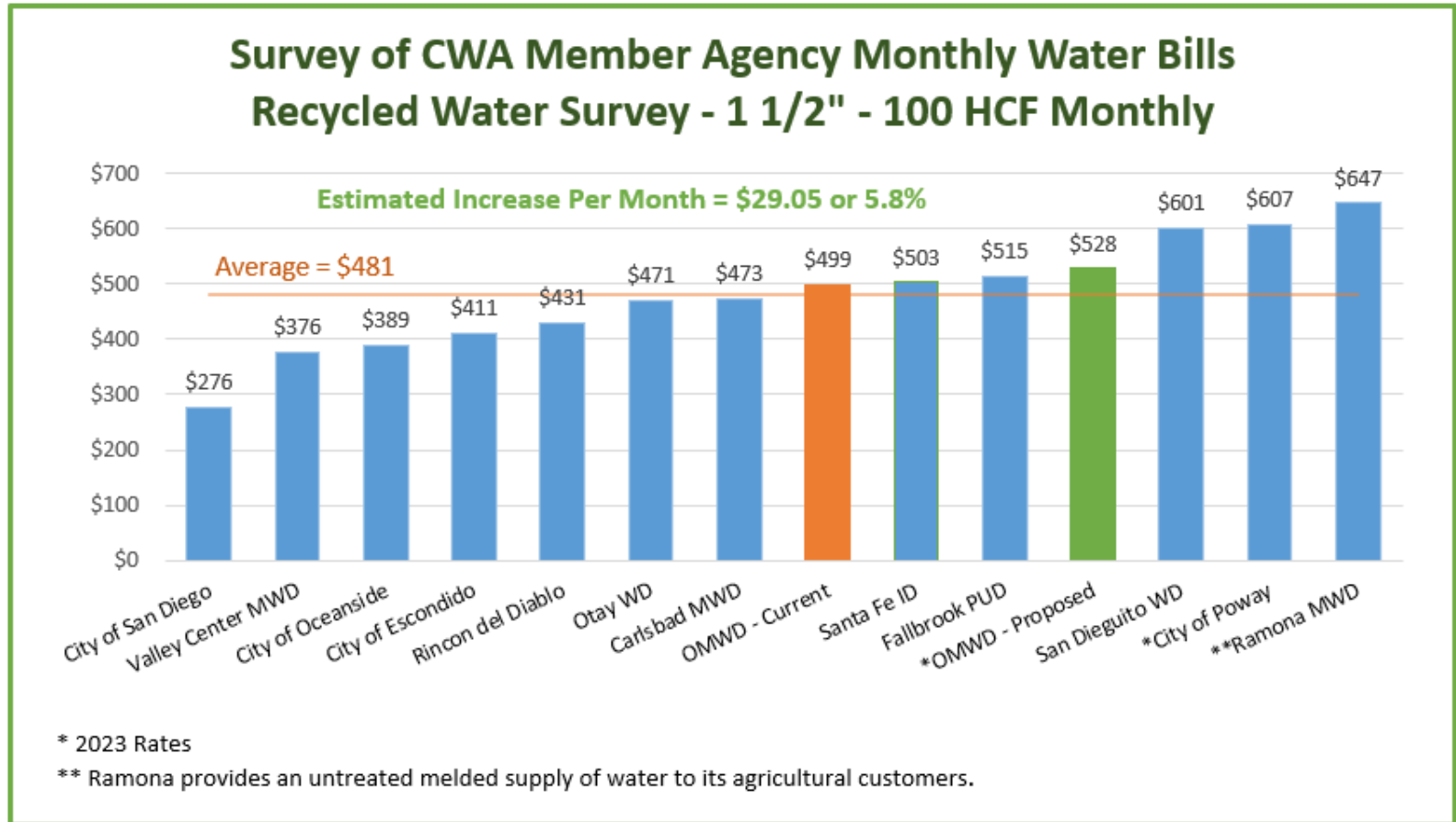
OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

Monthly Water Bills for Single Family Residential (23 units)



OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

OMWD Recycled Customer's Monthly Average Water Bill



Estimated monthly total includes fixed monthly fees as well as variable commodity charges. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

SDCWA Refund on Attorney Fees- approx. \$499,000

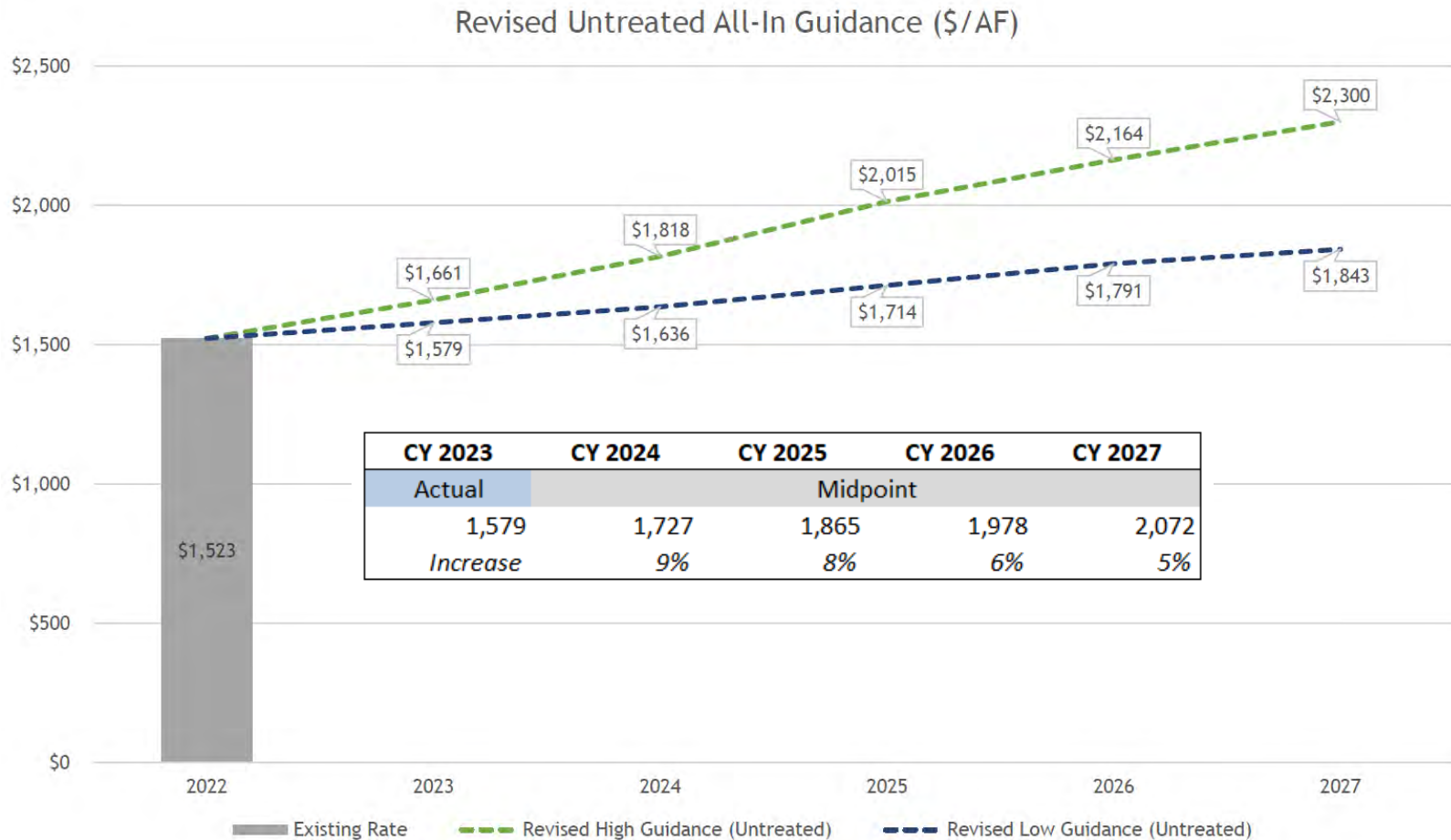
- Received two payments from SDCWA for refunds on attorney fees in the MWD litigation of approximately \$499,000
 - \$480,000 received in June 2022 and \$19,000 in August 2022
- **Placed in Water Operating Reserves per Board's approval**
- Approved by the Board (8/17/22) to offset significant increases in uncontrollable expenses in a high-inflation environment (about 8%)
- Additional options for consideration discussed on next slide

SDCWA Refund on Attorney Fees- Options

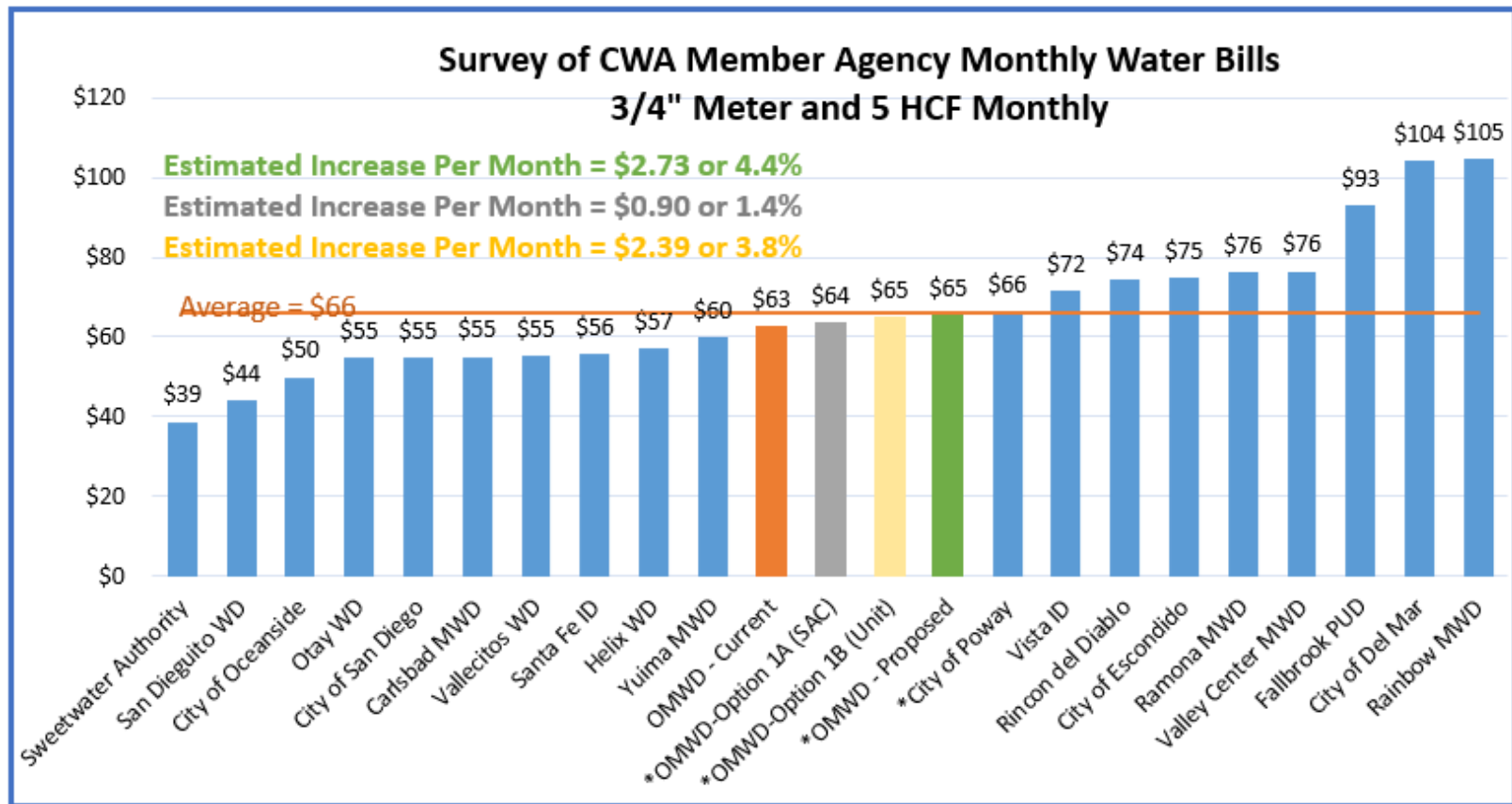
1. Use the refund to offset OMWD-SAC or OMWD Commodity Rate for 2023
 - Pros: keep OMWD actual revenue increase adjustment for 2023 as planned, which is 5% for 2023
 - Option 1A - SAC offset per meter: \$1.83 per month
 - Option 1B - Commodity Rate Offset: \$0.068 per unit water used
 - Cons: (1) timing; (2) anticipate a significantly higher revenue increase adjustment in 2024 compared to 2023. Current inflation is estimated about 8%.

2. Keep the cash in Operating Reserves and earmark to offset 2024 future rate increases (Raftelis' **Recommended Option**)
 - Delay in passing through actual inflation in a high inflation environment
 - Planned rate increases for 2024 is anticipated to be higher than 2023 due to increases in purchased water costs and higher inflation adjustment
 - Offset higher CIP costs
 - Offset future debt service payments for new bonds

SDCWA LRFP High/Low Untreated All-In Guidance (\$/AF)



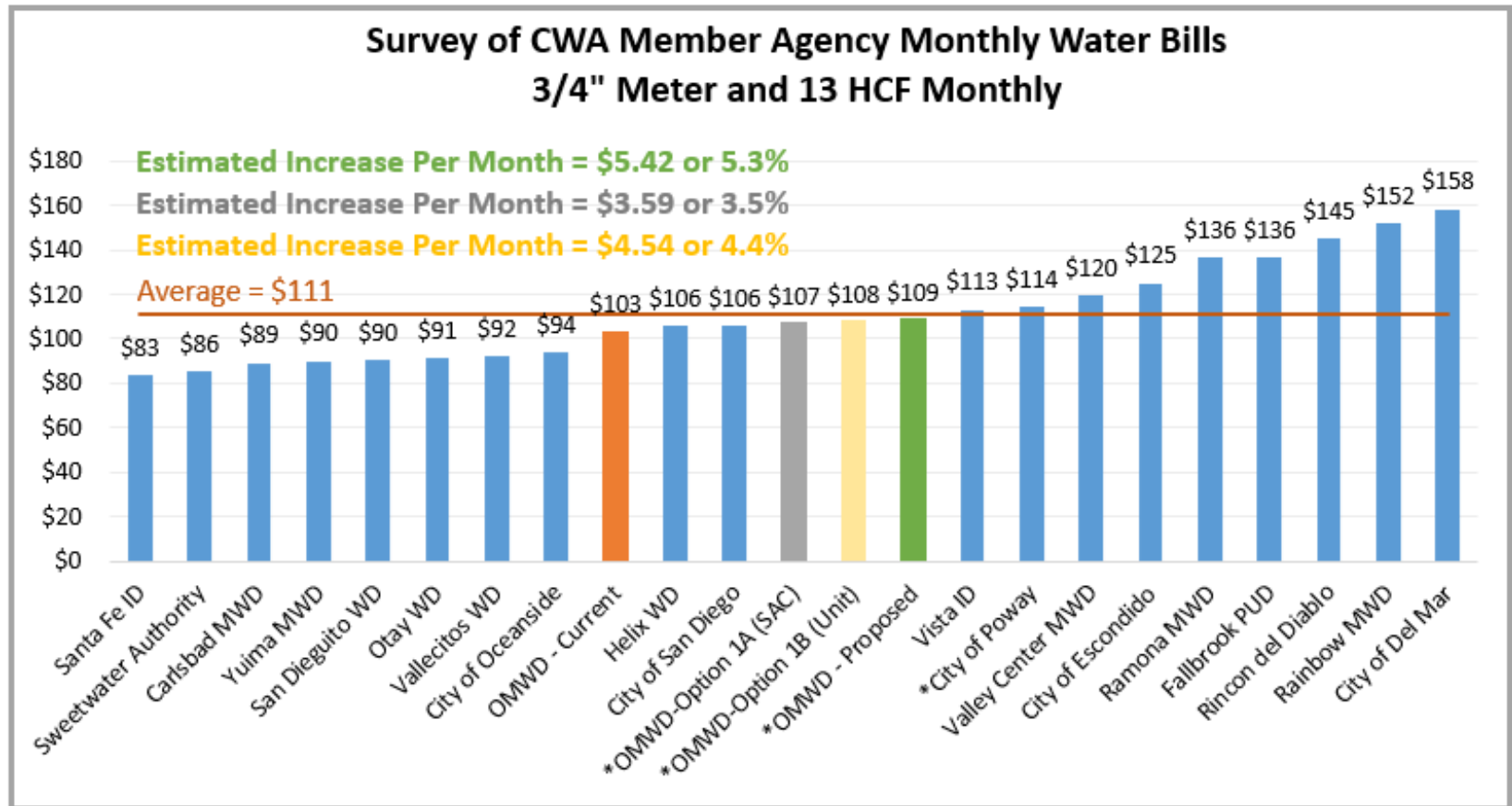
Monthly Water Bills for Single Family Residential (5 units) – Option 1



*2023 Rates

Note: OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

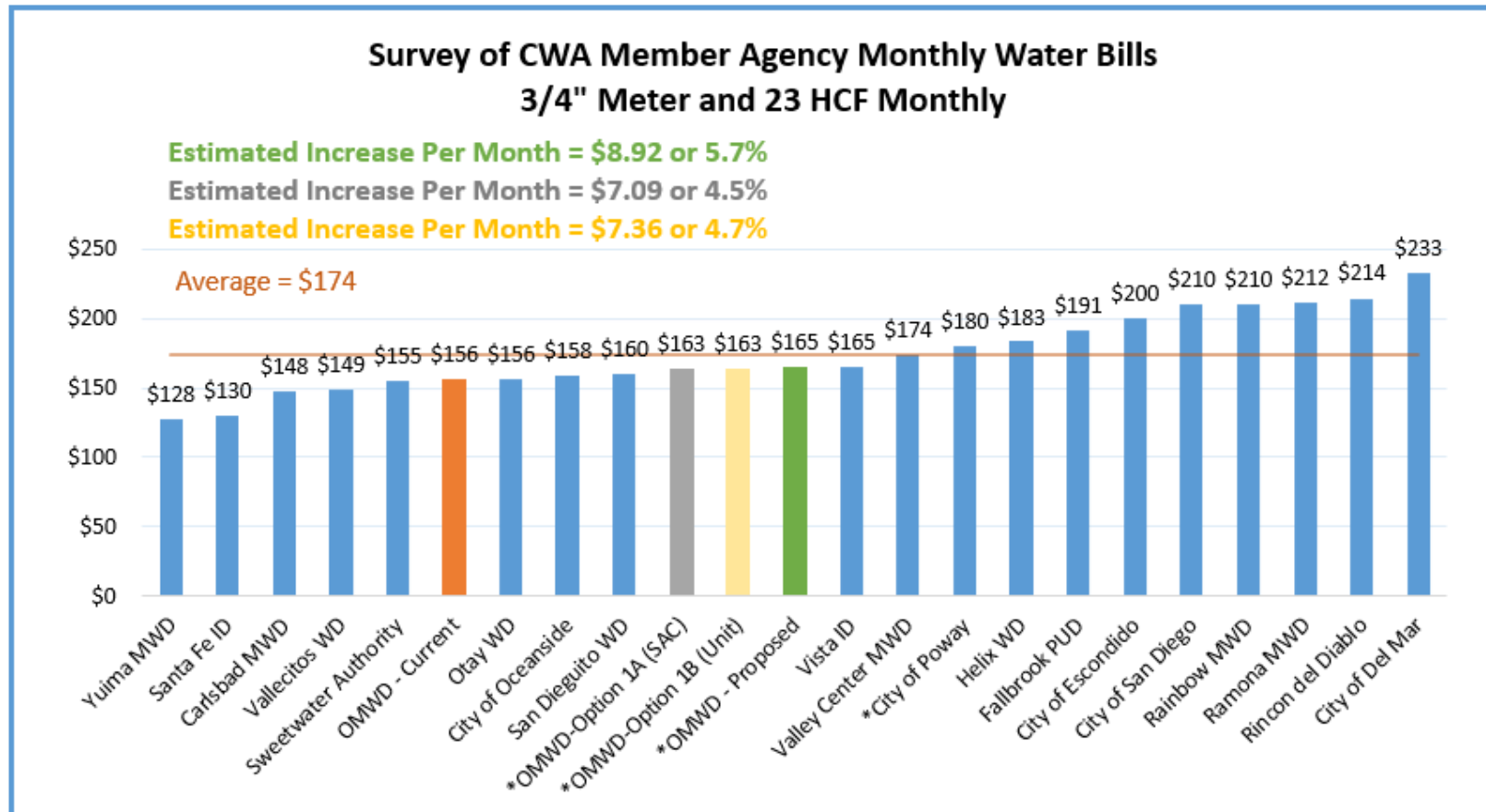
Monthly Water Bills for Single Family Residential (13 units) – Option 1



*2023 Rates

Note: OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

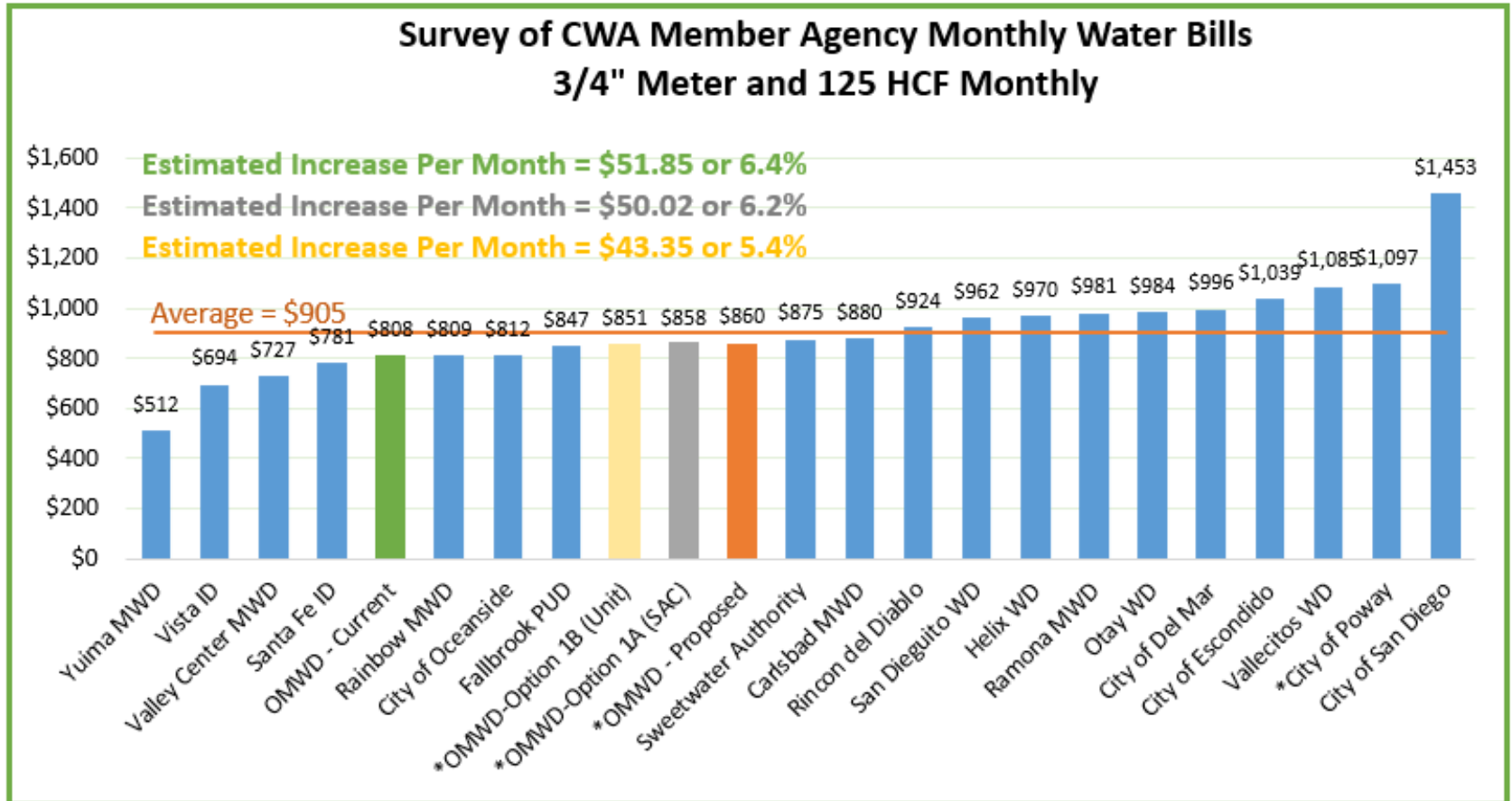
Monthly Water Bills for Single Family Residential (23 units) – Option 1



*2023 Rates

Note: OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

Monthly Water Bills for Single Family Residential (125 units) – Option 1



*2023 Rates

Note: OMWD estimated monthly total includes SDCWA Rebate Credit. Rates for other agencies last updated in September 2022. Any subsequent changes are not reflected in this graph.

Actions and Next Steps

- Consider and approve:
 - Purchased water wholesale pass-through (potable and recycled)
 - Inflation pass-through
 - Fire Meter Charge (Prop 218 notice)
- Committee to consider an option on SDCWA Refund on Attorney Fees
- Staff will bring recommendations to the Board for discussion and approval at the October 19 meeting
 - Tentatively approved water rates and charges for 2023 will be included in the January 2023 watching water
 - 2023 water rates and charges will be brought for adoption by the Board at the February 2023 meeting
 - New water rates and charges will be effective March 1, 2023.