

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

November 16, 2020

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, November 16, 2020, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 2:08 p.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; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; and Kenneth H. Pun from The Pun Group LLP, the District's independent auditors. Also in attendance via teleconference was Jared Graffam, Financial Analyst.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 12, 2020 REGULAR FINANCE COMMITTEE MEETING

Director Sprague moved to approve the August 12, 2020 meeting minutes, seconded by Director Watt and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2019-20 AUDITED FINANCIAL STATEMENTS AND RESULTS

Mr. Pun reviewed and discussed the District's audited financial statements with the Finance Committee. Mr. Pun stated that there were no material findings during the audit and his team did not encounter any difficulties in performing their audit. He also stated that the District received a clean audit and no material weaknesses or significant

deficiencies in internal controls were noted.

Mr. Pun reported that Governmental Accounting Standards Board No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance went into effect during the fiscal year under audit. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, and implementing the measure did not have a material effect on the District's financials.

Mr. Pun also reported on certain financial highlights of the District during the audit to the Finance Committee, including fluctuations in the District's cash and investment accounts, receivables, payables, and net pension liability. Mr. Pun stated the District is in a healthy position at 75% funded for its pension liability, which is above the average of approximately 70% funded that he has seen across his other clients.

Director Watt inquired about the District's current assets decrease, whether the District should be concerned about the decrease in cash receipts, and the reason for the large increase in cash flow from investments. Finance Manager Selamat explained the decrease to current assets was caused by cash spent on large capital projects during the year and that the decrease in cash receipts is primarily a result of an increase in receivables at year end, from increased sales due to the warmer weather towards year end, in comparison to the prior year.

Director Watt asked Mr. Pun if he had any key takeaways from the audit. Mr. Pun reported that the audit went very well and that staff provided requested documentation in a timely basis, despite the COVID-19 pandemic, and that many of his clients have provided their documentation late. Finance Manager Selamat added that the District disclosed its COVID effects in the fiscal year 2020 CAFR for bond holders and the District's allowance for uncollectable water accounts has been conservatively increased by \$100,000.

7. QUARTERLY REVIEW OF INVESTMENTS AND FUND BALANCES (Q3 2020)

Finance Manager Selamat reviewed the investment report as of September 30, 2020 with the committee. Cash and investments were discussed. Finance Manager Selamat reported the District has a few securities likely to be called before these securities are matured because of the current market condition. Replacing the called securities with new securities available will reduce the District's overall investment return.

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 also reported on fund balances as of June 30, 2020 through September 30, 2020.

8. ANNUAL REVIEW OF INVESTMENT POLICY AND RESERVES POLICY

Finance Manager Selamat reviewed and discussed staff-proposed changes to the District's investment and reserve policies for consideration. Finance Manager Selamat reported Richard Babbe with PFM Assets Management completed the annual review of the District's investment policy. While no changes are required, Mr. Babbe recommended minor revisions to the policy related to Senate Bill 998, which will take effect on January 1, 2021. The recommended changes include updating the effective date of the policy, incorporating language into the policy to anticipate potential negative market interest rates for securities issued or backed by the U.S. government that could result in a zero or negative interest rate accrual if held to maturity, and to eliminate the 10% per issuer limit on outstanding commercial paper because it is no longer in the California Government Code.

Finance Manager Selamat reported District staff is not proposing any changes to the reserve policy. The proposed changes to the investment policy were approved by the committee to be presented to the full board at its December 2020 meeting.

9. REVIEW AND DISCUSS STAFF-PROPOSED ADJUSTMENTS TO WATER RELATED SERVICE FEES (FIRE FLOW TEST AND TRANSFER FEES)

Finance Manager Selamat stated the District's Water Related Service Fees are reviewed annually to ensure water service related fees collected recover the actual cost of providing such services. Finance Manager Selamat reported Staff is recommending an increase to \$435 from \$400 for the Fire Flow test, and an increase to \$25 from \$20 for the meter account transfer fee in order to recover actual costs incurred for these services. The proposed changes were approved by the committee to be presented to the full board at its December 2020 meeting.

10. CONSIDER STAFF REPORT ON 2020 SEWER COST OF SERVICE STUDY AND FINANCIAL PLAN (VERBAL REPORT)

Finance Manager Selamat provided a verbal update on the 2020 Sewer Cost of Service study noting District staff had several meetings with Raftelis consultants, the rate consultant, and is working on a draft of the study for the committee to consider early next year (2021).

11. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

12. ADJOURNMENT

The meeting was adjourned at 3:17 p.m.