

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

November 18, 2025

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, November 11th, 2025, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 10:02 a.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Leo Mendez, Finance Manager; Jared Graffam, Accounting Supervisor; Georgeanna Clark, Financial Analyst I; and Sophia Kuo from The Pun Group for item 6 appearing remotely.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Meyers moved to adopt the agenda, seconded by Director Maloni, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE SEPTEMBER 4, 2025, SPECIAL FINANCE COMMITTEE MEETING

Director Meyers requested a change to the meeting minutes for the September 4th meeting, stating he would like the record to show that in the final paragraph it was Director Maloni who asked that Director Hahn be informed of the committee's decision to not pursue the issue of director per diems further.

Director Meyers moved to approve the September 4th, 2025, meeting minutes, with the one change noted for the record, seconded by Director Maloni and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2024-25 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT

Ms. Sophia Kuo from The Pun Group (the District's audit firm) provided an overview of

the audit process and discussed the District's audited financial statements with the committee. Ms. Kuo stated that there were no material findings during the audit and her team did not encounter any difficulties in performing their audit. Ms. Kuo also stated that the District received a clean audit and no material weaknesses or significant deficiencies in internal controls were noted.

Ms. Kuo then presented an overview of the District's audited financial statements and other pertinent information, including key financial indicators and pension information. The key indicators included a comparison with the average of ten local districts, and Ms. Kuo noted that the District performs better than its peers across all the presented financial indicators. Ms. Kuo highlighted the most significant variances from the prior year financials, including a decrease in Restricted Assets due to a decrease in Grants Receivable and a decrease in Liabilities resulting from a \$3.5 million reduction in Grants Payable, both changes related to the Title XVI grant. Ms. Kuo reported that the District's net position increased by approximately \$3.7 million.

Director Meyers requested that additional information be added to the key financial indicators to clarify whether a higher ratio or lower ratio is better for each indicator before presenting the data to the full Board. Director Maloni inquired why the District's Pension Liability to Net Position Ratio doubled between fiscal years 2022 and 2023. General Manager Thorner explained that the increase was due to the District's pension liability increasing after CalPERS experienced an investment loss. Director Maloni asked what the Capital Condition Ratio indicates. General Manager Thorner explained that it reflects the age of the District's assets based on the collective remaining useful life. General Manager Thorner noted that she expects the ratio to improve next year following the completion of various District projects.

Director Meyers inquired why the Cash Flow Statement showed such a large change in Proceeds for Grants and in Other capital financing expenses. Finance Manager Mendez explained that it was due to Title XVI Grant cash amounts received by the District and paid to subrecipients during the fiscal year.

Ms. Kuo then presented the Single Audit results, noting that there were no material findings and her team did not encounter any difficulties during the audit process. Ms. Kuo stated that the federal government's Office of Management and Budget Compliance supplement, which is used by the auditors to evaluate the District, had not yet been released, which prevents issuance of the final Single Audit report. Ms. Kuo stated that once the supplement is available, her team will complete the Single Audit report.

Director Maloni asked if delaying issuance of the Single Audit report will cause any issues for the District. General Manager Thorner responded that it wouldn't, as the District's main audit has been completed and all entities requiring a Single Audit this year are experiencing the same delay.

Both Director Meyers and Director Maloni voted to approve presenting the audited financial statements and Annual Comprehensive Financial Report, as well as the Single Audit either in draft form or final issued form, to the full Board at the December meeting.

7. REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2025

Finance Manager Mendez presented the District's pension funding status to the committee based on the most recent actuarial report available from CalPERS, as well as the District's existing pension funding plan. Finance Manager Mendez reported that the District's combined Classic plan and PEPRA plan funded status is 74.9%, which is higher than the previous year's funded ratio of 72.5%, but still below the 85% long-term goal set by the Board. Director Maloni asked why the District's funded ratio goal is not 100%. Finance Manager Mendez explained that rating agencies primarily look for whether the District has a funding plan in place to proactively address its pension liability, and ideally, a ratio in the 80-90% range. General Manager Thorner added that the funded ratio is a moving target that can change based on CalPERS actuarial assumptions and investment returns.

Director Maloni inquired about the benefits of making the additional payments to CalPERS versus keeping the funds invested. Finance Manager Mendez explained that by making the additional payments the District is getting a 6.8% rate of return from CalPERS, compared to the less than 4% return on District Investments. Finance Manager Mendez noted that the District has saved about \$500 thousand by making additional discretionary payments to date, which is about \$358 thousand more than the District would have made had the District kept the funds invested.

Finance Manager Mendez presented two options for funding the District's pension liability for 2025, including Option 1, which is staff's recommended option and in-line with the Board's existing Pension Funding Policy: making a \$311,000 Additional Discretionary Payment (ADP), and transferring \$500,000 to the Water Pension Stabilization Fund and \$50,000 to the Wastewater Pension Stabilization Fund from the Water and Wastewater Operating Funds, respectively. Finance Manager also presented Option 2, which includes making a larger Additional Discretionary Payment (ADP) of \$611,000, and transferring \$775,000 to the Water Pension Stabilization Fund and \$75,000 to the Wastewater Pension Stabilization Fund from the Water and Wastewater Operating Funds, respectively.

Director Meyers asked if the District has sufficient funds for the proposed transfers, noting the recent high-cost repair projects. General Manager Thorner clarified that those repair expenses were charged to the Capital Fund, not the Operating Fund, and noted that even after repairs and planned capital spending, the Water Capital Fund is projected to remain twice the minimum required balance.

Following the discussion, Director Meyers and Director Maloni voted to bring Option 1, the staff-recommended pension funding plan, to the full Board for consideration.

8. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR OF FY 2026)

Finance Manager Mendez presented the investment report as of September 30, 2025, to the committee. The discussion included cash and investment holdings. Finance Manager Mendez reported that the current yield on the District's investment portfolio has decreased slightly compared to the previous quarter due to replacing matured securities with lower yields available in the market. Finance Manager Mendez reported that the District investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 60 days.

Finance Manager Mendez also presented the draft summary of fund balances over the previous five years. Finance Manager Mendez reported that the Wastewater Operating Fund is currently below the minimum balance set by the Board due to the timing of Wastewater revenue receipts, which are collected from the County via the property tax roll, and that the Operating Fund balance will be within Board set limits by the next quarterly update.

Finance Manager Mendez also presented a three-year historical comparison of quarterly investment yields against the San Diego Consumer Price Index (SDCPI), and added that current investment yields are slightly below SDCPI.

Director Maloni inquired why District policy requires maintaining funds to meet 60 days of financial obligations rather than a longer period. General Manager Thorner explained that the Board established the limit and may change it; however, increasing the minimum may necessitate raising rates. General Manager Thorner noted that the Board policy sets a minimum of 60 days and a maximum of 120 days, and the District currently has approximately 100 days in the Water Operating Fund. Director Meyers requested that staff include the average days of cash on hand in the Water Operating Fund as part of the next report to the committee.

Director Maloni inquired whether the District is moving forward with the insurance captive investigation. General Manager Thorner responded that staff set an annual objective regarding the captive insurance investigation for 2026, and that annual objectives for 2026 will be presented at the January Board of Directors Meeting.

9. QUARTERLY REVIEW OF OMWD'S FINANCIAL REPORT - BUDGET vs. ACTUAL REPORT (1ST QTR OF FY 2026)

Finance Manager Mendez presented the Q1 Budget vs Actual report for the current fiscal period, noting that revenue and expenses are close to budgeted figures, with most

variances attributed to timing differences. Finance Manager Mendez also shared a graph comparing budgeted vs actual water sales for the first 3 months of fiscal year 2026, explaining that water sales are in line with budgeted predictions.

10. ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND BALANCES (RESERVES) POLICIES AND PROPOSED CHANGES TO THE POLICY FOR 2025

Director Meyers noted that he saw no changes to the policies when reviewing the meeting packet and asked for confirmation that the only changes made were to update the year in multiple places. Finance Manager Mendez confirmed that there were no material changes made to either policy.

The proposed changes to the Investment Policy and Fund Balances (Reserves) Policy were approved by the committee to be presented to the full Board for final approval.

11. REVIEW OF 401(A) AND 457(B) PLANS (VERBAL REPORT)

The Committee received a verbal report from Finance Manager Mendez regarding recent changes to the Districts 401(a) and 457(b) plans. Finance Manager Mendez explained that the District has a fiduciary responsibility to ensure plans offered to employees are reasonable. To fulfill this duty, staff engaged a consultant to review the District's two existing plans with CalPERS and Lincoln. The consultant determined the fees charged by CalPERS were reasonable, however the fees charged by Lincoln were high. After discussions with Lincoln, the District decided to transition employees to a different Lincoln plan for a lower fee.

Director Meyers inquired whether the 401(a) or 457(b) plans require nondiscrimination testing. General Manager Thorner responded that neither plan requires discrimination testing; however, the District's Voluntary Employees' Beneficiary Association (VEBA), Flexible Spending Accounts, and AFLAC plans do require discrimination testing, which staff completes annually.

12. FUTURE AGENDA ITEMS/INFORMATION

Director Meyers requested staff calculate and present the average days of cash on hand in the Water Operating Fund to present at the next Finance Committee meeting.

13. ADJOURNMENT

The meeting was adjourned at 11:22 a.m.