

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

**November 20, 2019**

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, November 20, 2019, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 3:03 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; Jared Graffam, Financial Analyst; Kenneth H. Pun from The Pun Group LLP, the District's independent auditors, and Skylar Stephens, Management Analyst with San Diego County Water Authority. Also in attendance were Jack Bebee, General Manager of Fallbrook Public Utility District and Tom Kennedy, General Manager of Rainbow Municipal Water District whom joined the meeting around 4:00 p.m. to present on agenda item 9.

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. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 15, 2019 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the August 15, 2019 meeting minutes, seconded by Director Sprague and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2018-19 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. 83, Certain Asset Retirement Obligations (AROs), and No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, went into effect during the fiscal year and that they do not apply to the District because the District does not have any AROs or debt that fall under the guidelines of these new standards.

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. Director Sprague inquired as to how appropriately funded the District is with regards to the pension liability. Mr. Pun stated the District is in a healthy position at about 75% funded for the total pension liability, which is above the average of approximately 70% funded he has seen across his other clients.

7. QUARTERLY REVIEW OF INVESTMENTS AND FUND BALANCES (Q3 2019)

Finance Manager Selamat reviewed the investment report as of September 30, 2019 with the committee. Cash and investments were discussed. Finance Manager Selamat reported that recent reductions in interest rates by the Federal Reserve has led to decreased yields in the bond market and recommended the District continue to invest in short-term investments to take advantage of higher yields, and continue to monitor and invest in bonds when favorable yields become available. Director Watt and Director Sprague agreed.

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, 2019 through September 30, 2019.

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. Director Watt asked if the District received outside counsel on the proposed changes. Finance Manager Selamat confirmed Richard Babbe with PFM Assets Management completed the annual review of the District's investment policy and recommended no changes because the policy is in compliance with California Government Code sections that govern the investment of public funds. Finance Manager Selamat added that the proposed changes to the

investment policy are only minor in order to update the effective date of the policy and to provide clarification in one paragraph.

Finance Manager Selamat stated the proposed changes to the reserve policy are to provide clarification on how the District's fund balance targets would be estimated at the end of each fiscal year in a multi-year budget, and that the staff is not proposing any changes to the fund balance minimum and maximum set by the Board. The proposed changes to both policies were approved by the committee to be presented to the full board at its December 2019 meeting.

9. RECEIVE PRESENTATIONS BY FALLBROOK PUBLIC UTILITY DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT AND DISCUSS THEIR POTENTIAL DETACHMENTS FROM SAN DIEGO COUNTY WATER AUTHORITY

Mr. Jack Bebee, General Manager of Fallbrook Public Utility District (FPUD) and Mr. Tom Kennedy, General Manager of Rainbow Municipal Water District (RMWD) presented on their intention to detach from the San Diego County Water Authority (SDCWA) and join the Eastern Municipal Water District (EMWD), and the impact it would have on other districts that remain within the SDCWA system.

Mr. Bebee stated the close proximity of both FPUD and RMWD to EMWD and a reduction in the cost of purchased water are the driving forces behind wanting to detach from SDCWA. Mr. Bebee reported that close proximity to EMWD would save their district in capital infrastructure expenditures, and a reduction in purchased water would mean significant savings for their rate payers. Mr. Bebee provided preliminary calculations on the impact their detachment would have on the districts that would continue to purchase water from SDCWA, noting the impact would be minimal by their calculations.

Director Watt inquired if there would be any capital infrastructure required for their districts to attach to the EMWD system. Mr. Bebee stated FPUD would require no additional infrastructure. Mr. Kennedy stated RMWD would require some new infrastructure to detach but the required additions are already part of their existing capital plan under the SDCWA system.

10. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 4:43 p.m.