

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

May 7, 2025

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, May 7th, 2025, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 3:00 p.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst I. Also in attendance were Lawrence Chan from Stradling (OMWD's Bond Counsel) and Ali Shapouri, a local developer, for agenda item 6; and Eric Harp, Information Technology (IT) Supervisor, and Adam Schmidt, Senior Systems Administrator, for agenda item 9.

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 April 28, 2025, SPECIAL FINANCE COMMITTEE MEETING

Director Meyers moved to approve the April 28th, 2025, meeting minutes, seconded by Director Maloni and carried unanimously.

6. CONSIDER AND DISCUSS OMWD'S INTEREST IN BECOMING A MEMBER OF THE CALIFORNIA STATEWIDE COMMUNITY DEVELOPMENT AUTHORITY (CSCDA)

Finance Manager Selamat discussed the possibility of the District becoming a member of the California Statewide Community Development Authority (CSCDA) which would allow

the District to participate in the Statewide Community Infrastructure Program (SCIP). Finance Manager Selamat explained that SCIP is a financing program offered through CSCDA which can be used by developers to finance public infrastructure, facilities, and impact fees. Finance Manager Selamat added that if the District were to become a member of CSCDA and participate in SCIP, it could provide competitive financing to local developers through the issuance of Mello Roos bonds by CSCDA to finance the required public improvements, such as the Pinnacles at Santa Fe Valley development project located within the District's service area. General Manager Thorner commented that the District has previously formed a Community Financing District (CFD) which was later dissolved, and that the District declined to form a CFD for the Pinnacles at Santa Fe developer due to the risk involved with CFD issuance. Finance Manager Selamat explained that staff prefers the CSCDA option instead of forming a CFD via OMWD, because District liability will be limited through the CSCDA process. CSCDA will assume liability for bond issuance and administration.

Director Meyers inquired about the risk is to the District. Lawrence Chan, the District's Bond Counsel, answered that there is very little risk to the District because the bonds are issued by CSCDA, and if the bonds are not paid back, they would be placed on the homeowners tax rolls as a CSCDA tax. Director Maloni asked if the District was required to approve the SCIP application, and what the benefit would be to the District. General Manager Thorner responded that the District is not required to approve the application, but it would allow developers to get better financing which could result in the District receiving capacity fees and water revenues sooner as new customers are connected to the District's distribution system. Director Meyers asked if there would be any other costs for the District, such as ongoing monitoring by staff. General Manager Thorner confirmed that there would be ongoing monitoring required, but that it would be the same monitoring that the District is already required to do for the District issued bonds and for grants the District receives.

Director Meyers and Director Maloni agreed to bring the discussion to the full Board at a future meeting.

7. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3RD QTR OF FY 2025)

Finance Manager Selamat reviewed the investment report as of March 31, 2025, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the current yield on the District's investment portfolio has decreased slightly compared to the last quarter due to replacing matured securities with lower yields available in the market. Finance Manager Selamat referenced the three-year history of quarterly yields on investments included in the packet, showing increasing yields over most of the last three years and relatively steady yields over the last three quarters. Finance Manager Selamat reported that 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 Selamat next presented the draft summary of fund balances over the previous five years.

Director Maloni commented that the investment yield was lower than he expected. General Manager Thorner explained that staff follows the Investment Policy put in place by the Board, which emphasizes protection of principal over earning interest. Director Maloni asked what other forms of alternative revenue the District has considered. General Manager Thorner replied that the District brings in alternative revenue through cell tower leases, water treatment services, the sale of certain District parcels of land, and staff continually seeks various state and federal grant funding to help pay for capital infrastructure projects. Director Maloni asked about whether the District can take on additional risk for higher returns and General Manager Thorner also responded that the Board can review the District's Investment policy and make adjustments, but the District will need to follow state laws that govern how agencies can invest public funds in California, and that it could affect the District's AAA bond rating if changes were made to the policy. Director Maloni requested that staff prepare a comparison of the District's historic returns on investment versus inflation, to be presented at a future committee meeting.

The committee accepted the report as presented.

8. REVIEW OF OMWD FINANCIAL REPORTS – BUDGET VS. ACTUAL REPORT (3RD QUARTER OF FY 2025) AND HISTORICAL BUDGETED VS. ACTUAL WATER SALES

Finance Manager Selamat presented the Budget vs Actual report for the current fiscal year through March 2025. Finance Manager Selamat explained that revenue and expenses are close to budgeted numbers with most variances being caused by timing differences, and positive variances caused by higher than budgeted water sales to date. Finance Manager Selamat stated that the District's financials are currently in line with budget expectations. Finance Manager Selamat then presented the water sales budgeted vs actuals graph for the first 9 months of fiscal year 2025 and explained that water sales are currently ahead of budgeted predictions. Director Meyers asked why we are stating we are in line with budget expectations when it looks like we are ahead. Finance Manager Selamat explained that there are three more months left in the fiscal year and that we don't know for certain if we will stay ahead of budget expectations. General Manager Thorner confirmed that as of this moment in time we are ahead of budget expectations.

9. REVIEW OF DATA CENTER PROJECT – A NEW CIP IN FY 2026 AMENDED CAPITAL BUDGET (VERBAL REPORT)

The District's Information Technology (IT) Supervisor, Erik Harp, spoke to the committee about the Data Center capital improvement project (CIP) that is being added as part of the fiscal year 2026 midterm budget adjustment. IT Supervisor Harp explained that the

Data Center CIP is to replace aging infrastructure that is critical in supporting the District's business functions for computing, data storage, and network backup which was originally installed in 2020. IT Supervisor Harp explained that while the server hardware is still in good condition, however, since existing server hardware is no longer supported by the new software company due to the most recent acquisition, the District is not successful in obtaining an extension to the existing support agreement without replacing its server hardware.

Director Meyers commented that it seems as though the support agreement is used by the hardware suppliers as a tool to force replacement of hardware every 5-6 years. IT Supervisor Harp concurred with Director Meyers' comments. IT Supervisor Harp then added that his staff will continue seeking options. Director Meyers asked if the District has backups for the servers in question. IT Supervisor Harp explained that the District's back-up data is stored offsite, but the District will be left with no backup servers that would function if the Data Center were to fail, which is why the Data Center and corresponding support agreement are needed.

The committee thanked Mr. Harp for attending the meeting and providing more details on the Data Center CIP being proposed for the fiscal year 2026 budget.

10. REVIEW OF OMWD VACATION AND SICK LEAVE CASHOUT PROGRAMS AND PRESENT FINDINGS

Finance Manager Selamat explained that the District's current vacation and sick leave cashout features are subject to a tax law known as the constructive receipt rule. General Manager Thorner added that while the IRS rules have not changed, the IRS has recently begun enforcing existing rules against other districts. General Manager Thorner recommended making changes before the District is formally notified or penalized by the IRS. Director Meyers asked how long the current policy has been in place. General Manager Thorner stated that the policy has been largely unchanged for a long time, with only minor changes made during Memorandum of Understanding (MOU) negotiations.

Accounting Supervisor Mendez presented the details of the proposed changes to the elective cashout features for employee's accrued vacation and sick leave. Accounting Supervisor Mendez noted with these proposed changes, staff also recommends that the policy be amended to lower the vacation leave balance minimums to allow employees more cashout options while also decreasing the District's compensated absences liability. Accounting Supervisor Mendez noted that staff is also proposing modification of the policy to allow for certain cashout hours to be contributed to employee retirement accounts, which will provide tax savings to the District and the employees. Accounting Supervisor Mendez stated the next steps for implementation of the changes are to educate employees on the change, notify the collective bargaining units, and bring the policy changes to the Board at the July meeting.

Director Maloni asked if there are any downsides to the policy changes. General Manager Thorner stated that the downside is the complexity of the new policy requiring employee education. Director Maloni asked if there would be a cost to implement the new policy. Accounting Supervisor Mendez stated that the cost to implement will be staff time in the beginning to educate the employees and create the necessary forms and procedures, but that there are no expected ongoing costs to the new policy. Director Meyers asked if the MOU allows employees to reject the change. General Manager Thorner explained that the MOU allows for necessary compliance changes to be made without renegotiation. Director Meyers asked what the District's current compensated absence liability is and Accounting Supervisor Mendez responded that it is approximately \$2 million.

11. DISCUSS CURRENT BOARD PER DIEM (VERBAL REPORT)

General Manager Thorner explained that the per diem for Board compensation has not increased in over two decades and noted that it can be increased 5% per year since its last increase, which could lead to a substantial increase. General Manager Thorner explained that making changes to Board compensation requires a public hearing.

Director Maloni stated that he was the one to raise the issue and would like more information on Board per diems in the area. Director Maloni requested that staff research and present findings at the next committee meeting, including a survey of comparable boards and their compensation, frequency of other Boards' increase, and the frequency of per diems (per meeting vs. per day). Director Maloni also asked staff to look into increasing the daily limit for meals reimbursement while travelling on District business on the District's Administrative and Ethics Code.

Director Meyers supports looking into the information requested by Director Maloni before considering the issue further and bringing it back to the Finance Committee for discussion.

12. ADJOURNMENT

The meeting was adjourned at 4:21pm.