

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

**May 8, 2023**

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, May 8th, 2023, at the District office, 1966 Olivenhain Road, Encinitas, California.

Director Meyers called the meeting to order at 9:00 a.m. In attendance were Neal Meyers, Board Treasurer; Lawrence A. Watt, Board Secretary; 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 with Stradling Yocca Carlson & Rauth and Sudhir Pardiwala with Raftelis Financial Consultants to present on agenda items 6 and 10, respectively.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE JANUARY 24, 2023, REGULAR FINANCE COMMITTEE MEETING

Director Meyers moved to approve the January 24, 2023 meeting minutes, seconded by Director Meyers and carried unanimously.

6. REVIEW AND DISCUSS OMWD PARTICIPATION IN A STANDALONE COMMUNITY FACILITIES DISTRICT, A PROGRAM OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (CSCDA), FOR THE PINNACLE PROJECT (INFORMATIONAL REPORT)

Finance Manager Selamat presented the agenda item to the committee noting it is an informational report only. Finance Manager Selamat reported that the District has been approached by a developer, Mr. Ali Shapouri with Shapouri & Associates, to form a Community Facilities District (CFD) through the California Statewide Communities Development Authority (CSCDA) in order to issue bonds to help finance certain water and sewer infrastructure and improvements for a local development project. Finance Manager Selamat further reported that in October 2003, the Board approved a Community Facilities Districts Goals and Policies (Policy), and according to the established Policy, the Board has full discretion to approve or deny the sale of any bonds for a CFD. The Policy also states the payment of deposits for a CFD does not guarantee the Board's approval of any CFD. Mr. Chan from Stradling, District's special counsel, provided additional information regarding the stringent CFD credit requirements before bonds could be issued, including the 4 times value to lien ratio requirement.

Director Watt asked what the benefits to the District are in supporting the creation of the CFD. General Manager Thorner responded that it would help with expansion within the District with the creation of 37 new lots, which would result in additional capacity fees to the District, and presents minimal risk to the District since it is not a capital improvement project. Director Meyers inquired if there are any known controversies with the development, and General Manager Thorner responded there are none known at this time.

Director Watt inquired as to the commitment from staff and whether staff time is covered by a deposit. Finance Manager Selamat responded that the developer has already provided a deposit to cover staff time which has equated to a few hours each week up to this point.

Finance Manager Selamat stated that the District should consider helping the developer with the CFD, since it would mean more growth for the District, and mentioned that staff is planning to bring CFD items for consideration and approval at a future meeting with respect to the formation of the CFD. The committee requested that the developer be available for discussion with the Board at the meeting.

#### 7. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR 2023)

Finance Manager Selamat reviewed the investment report as of March 31, 2023, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the current yield on the District's investment portfolio has increased since the last quarterly update due to replacing matured securities with higher yields.

Director Meyers inquired if staff intends to modify the investment policy in any way to further increase the return on investments. General Manager Thorner responded that the District is restricted in what it can invest in, per its investment policy and California Government Code, to ensure it is meeting the two main objectives of the policy which

are the protection of principal and liquidity in order to meet the District's financial obligations. Finance Manager Selamat added that she considered an increase of the District's CAMP investment pool allowable percentage of portfolio amount, to take advantage of higher yields, but ultimately recommends that the District's investment policy remain as is to diversify its portfolio and thereby managing its investment risks. Finance Manager Selamat added that the District's investment policy is reviewed annually, typically in December of each year. Any proposed changes are brought to the committee and the Board for consideration and approval.

Finance Manager Selamat reported that the District's 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 120 days.

8. REPORT TO COMMITTEE ON FISCAL YEAR 2023/24 WASTEWATER (SEWER) RATES AND CHARGES

Finance Manager Selamat presented to the committee the sewer rate ordinance that was adopted by the Board in May 2021 which established sewer rates for the next five years. Finance Manager Selamat stated the District intends to increase sewer rates 3.14% effective July 1, 2023, per the approved ordinance and commented that annual adjustments to the District's sewer services charges are needed to pay for costs of providing wastewater collection and treatment services in the District's sanitation districts, as well as to pay for costs to construct capital improvements needed to replace and refurbish the aging wastewater collection and treatment facilities. General Manager Thorner added that staff will be bringing sewer resolutions to the full Board at the May meeting for consideration and approval.

9. REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2023 AND 2024 AT MIDTERM

Finance Manager Selamat provided an overview of the midterm budget review process and provided an update on the projected actuals for fiscal year 2023. Finance Manager Selamat reported actual water sales are anticipated to be approximately 9% below the budgeted amount by year-end. Consequently, the cost of purchased water is estimated to be approximately 7.9% below budgeted as a result of decreased water sales.

Finance Manager Selamat and Financial Analyst II Graffam presented the staff-proposed adjustments to the fiscal year 2024 operating budget with revised key assumptions based on current information. Finance Manager Selamat noted that the revised purchased water costs for fiscal year 2024 are subject change as the District is waiting on actual calendar year 2024 rates and charges from the San Diego County Water

Authority (CWA). Director Meyers asked what percentage of an increase was used in the proposed budget amount for purchased water costs. Finance Manager Selamat responded it was capped at 9% to match the District's pass-through ordinance but could be higher based on the CWA board's decision for raising rates. Finance Manager Selamat added that any adjustments will be brought before the full Board at the June meeting once actual costs are known. Finance Manager Selamat also stated that the forecasted water sales volume for fiscal year 2024 was decreased by 400 acre feet based on revised sales assumptions which added to decreased purchased water costs in the proposed budget. The committee had additional questions on some of the other operating income items that were addressed during the meeting.

Finance Manager Selamat provided a summary of the capital budget adjustments proposed by staff which included a \$52 thousand increase in equipment purchases and a \$4.9 million increase to CIP appropriations for fiscal year 2024 due to the increased scope and costs on certain projects, and the addition of three new projects. Financial Analyst II Graffam provided an overview of on-going District projects, timing of planned capital spending, and anticipated grant funding to help offset capital project costs to the District. The committee had follow-up questions on the two largest CIP adjustments and requested a more detailed overview be presented by the project manager at the May Board meeting.

Director Meyers and Director Watt agreed to bring the proposed budget adjustments to the full Board for consideration at the May 2023 Board meeting.

10. REVIEW AND DISCUSS RESULTS OF 2022 WATER CAPACITY FEES STUDY AND THE PROPOSED WATER CAPACITY FEES FOR 2023 WITH RAFTELIS FINANCIAL CONSULTANTS (WORKSHOP)

Finance Manager Selamat provided an overview of the recent capacity fee study conducted by the District with the assistance of Raftelis Financial Consultants. Mr. Sudhir Pardiwala, Executive Vice President at Raftelis Financial Consultants, presented the results of the 2022 Water Capacity Fee Study, the methodology used, and three proposed options for implementing increases to the District's capacity fees. Option 1 would be to implement increased fees specific to each zone of benefit within the District, option 2 would be to implement a uniform fee across all zones, and option 3 would be to phase in the increase in option 1 over a five-year period to each zone of benefit, rather than one single increase up front.

Director Watt asked Mr. Pardiwala if the methodology used for calculating the capacity fees is codified. Mr. Pardiwala responded that the methodology used is the industry standard and consistent with how the District calculated fees historically. Director Watt

asked if any option is more legally defensible. Mr. Pardiwala responded that many agencies use either the zone of benefit or uniform rate but for the District, option 2, the uniform rate, would be a significant change from how the District has charged fees historically.

Mr. Pardiwala presented a survey of member agency capacity fees. Director Meyers and Director Watt commented on the District's capacity fees being amongst the highest, and Mr. Pardiwala responded that that the District's topography is one of the contributing factors to a high capacity fee, which is similar to Santa Fe Irrigation District, the member agency with the highest fees on the survey. Mr. Pardiwala also added that the District's water infrastructure is relatively new and the District has two water treatment plants compared to other water districts included in the survey which could also be contributing factors.

Director Meyers asked if staff has a preliminary recommendation. General Manager Thorner responded that staff's recommendation would be to phase in the increase to each zone of benefit rather than a uniform rate or one single increase (option 3). Director Meyers agreed the increase to each zone of benefit seems to better align the true cost of benefit to each zone versus the uniform rate. Director Meyers also recommended that staff consider the legal implications of establishing a uniform fee (option 2).

The committee recommended staff bring the report before the full Board at the May 2023 Board meeting for consideration and discussion.

11. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

12. ADJOURNMENT

The meeting was adjourned at 11:39 a.m.