

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

May 13, 2020

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, May 13, 2020, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 10:14 a.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 Jared Graffam, Financial Analyst. Also in attendance via a teleconference call was Volker Hoehne, a member of the public.

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. CONSIDER APPROVAL OF THE MINUTES OF THE FEBRUARY 3, 2020 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the February 3, 2020 meeting minutes, seconded by Director Sprague and carried unanimously.

5. REVIEW OF QUARTERLY INVESTMENTS AND CASH POSITION REPORTS (Q1 2020)

Finance Manager Selamat reviewed the investment report as of March 31, 2020 with the committee noting the current yield across all the District's investments is 1.76%. Finance Manager Selamat commented that the effects of COVID-19 on the economy has led to decreased returns in the market, reporting the 2-year, 3-year, and 5-year Treasury securities are currently trading at approximately 15, 19, and 30 basis points, respectively.

The District has been able to earn higher yields by maximizing investments in both LAIF and CAMP funds which have been outperforming the bond market during the first quarter of

2020. Director Sprague asked if the District intends to invest more funds in LAIF to further maximize returns. Finance Manager Selamat noted the District is close to the LAIF investment limit set by the board, so is unable to invest much more in LAIF. Director Watt asked if the Finance department intends to bring a proposal to board to increase the LAIF limit and add flexibility to the portfolio. Finance Manager Selamat stated she intends to review the LAIF investment composition prior to bringing any requests before the board.

Finance Manager Selamat reported on upcoming maturities and noted that any security outperforming the 2-year treasury is likely to be called. Finance Manager Selamat recommended the District continue to maximize the higher yields in CAMP, and invest in U.S. Treasury and Agency securities when favorable yields become available and to maintain compliance with the District's investment policy. Director Sprague and Director Watt 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.

6. REVIEW OF STAFF PROPOSED DRAFT BIENNIAL BUDGET FOR FISCAL YEARS 2021 AND 2022 OPERATING AND CAPITAL BUDGET AND FINANCIAL RISK ASSESSMENT

Finance Manager Selamat discussed revenue and expenditure assumptions used in the General Manager's proposed draft biennial budget for fiscal years 2021 & 2022 operating budget presentation. Projected cost increases such as purchased water wholesale costs pass-through, purchased recycled water wholesale costs pass through, and District's labor and benefits were presented and discussed. Finance Manager Selamat mentioned that an increase to the labor and benefit costs were estimated based on 2018 Memorandum of Understanding (MOU) between the District and its District Employee Association and Bargaining Unit Members Association. Projected increases in benefit costs were estimated based on the anticipated increase in health insurance premium due to COVID-19 impacts and on-going pension obligations.

Three (3) budget options were presented to the committee for discussion. Budget Option 1 is a proposal based on the District's annual goals and objectives approved by the Board prior to the COVID-19 pandemic. Option 2 and Option 3 were presented and proposed for committee's consideration and approval based on potential severity of COVID-19 impacts to the economy. Comments were received and budget assumptions were discussed, including pros and cons under each budget option.

The committee selected Budget Option 2 and delayed 2020 sewer rate increases until July 2021. The committee then approved using the District's reserves to cover

temporary budget shortfalls for fiscal year 2021 until COVID-19 impacts to the economy can be ascertained.

Following presentation on the budget options, the Capital Expenditures and Spending plan were presented to the committee for consideration. General Manager Thorner noted that the 10 year Capital Spending Plan as proposed already includes deceleration of capital expenditures in all budget options due to COVID-19 impacts.

Finance Manager Selamat gave an overview of the District's five-year reserve projections of the operating, capital improvement, and rate stabilization reserve fund balances for water (potable and recycled) and wastewater (sewer) operations. Finance Manager Selamat reported that all reserve funds are projected to be within Board Reserves Policy minimum and maximum limits over the next five years.

The Committee moved to approve the General Manager's Proposed Biennial Operating and Capital Budget for Fiscal Years 2021 and 2022 and to delay 2020 sewer rate increases until July 2021 to be brought to the full board at the May 20th meeting.

7. PUBLIC COMMENTS

Mr. Volker Hoehne requested the committee consider not increasing rates due to the current impact of COVID-19, noting many business and individuals will be negatively impacted. Mr. Hoehne also requested the committee review water efficiencies to prevent loss, and review investment options to maximize returns and help increase net operating income.

8. CONSIDER FUTURE AGENDA ITEMS

The committee discussed a future finance committee meeting to review budget assumptions which will be scheduled for August.

9. ADJOURNMENT

The meeting was adjourned at 11:52 a.m.