

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

August 3, 2021

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, August 3, 2021, at the District office, 1966 Olivenhain Road, Encinitas, California via a hybrid schedule of in person and teleconference.

President Watt called the meeting to order at 1:00 p.m. In attendance were Lawrence A. Watt, Board President; Christy Guerin, Board Treasurer; Kimberly Thorner, General Manager; Joseph Randall, Assistant General Manager; Rainy Selamat, Finance Manager; Jason Hubbard, Engineering Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; Lora Carpenter from Fieldman, Rolapp & Associates, Inc; Lawrence Chan with Stradling Law; and Mike Cavanaugh with Hilltop Securities.

Director Watt announced that Director Bruce-Lane was also in attendance via teleconference to audit the Finance Committee Meeting, but will not participate per the Brown Act. Also in attendance via teleconference were Geoff Fulks, Operations Manager, and Robert Porr from Fieldman, Rolapp & Associates, Inc.

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

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

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 25, 2021 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the May 25, 2021 meeting minutes, seconded by Director Guerin and carried unanimously.

6. REVIEW AND DISCUSS A PROPOSED RESOLUTION OF INTENT TO ISSUE TAX-EXEMPT

OBLIGATIONS FOR WASTEWATER (SEWER) REPLACEMENT PROJECTS IN ORDER TO FACILITATE THE ISSUANCE AND REFUNDING OF THE DISTRICT'S DEBT CONSIDER

Finance Manager Selamat opened the discussion with an overview of the agenda item stating the purpose is to review and discuss a proposed resolution of intention to issue tax-exempt bonds and to get reimbursement from the bond proceeds for the District's sewer capital needs. Finance Manager Selamat stated the District has approximately \$6.5 million in sewer capital projects over the next two fiscal years without adequate funds in reserves to finance these projects. Finance Manager Selamat also noted that debt issuance of approximately \$5 million was included the midterm budget adopted by the board in June 2021.

Staff recommended a Finance Team for the 2021 sewer bonds issuance based on each firm's qualification, experience, expertise, and prior familiarity of the District for consideration by the Committee.

Lora Carpenter from Fieldman, Rolapp & Associates, Inc, who is acting as the District's existing financial advisor, presented an overview of the bond issuance process and timeline to the Committee. Ms. Carpenter reported to the Committee that the District identified approximately \$5 million in critical capital projects for the sewer system that can be financed through debt. The 2021 sewer financing plan includes issuance of tax-exempt bonds to finance the \$5 million sewer capital improvement projects through private placement, and refinance an existing 2018 sewer revenue bond with outstanding principal of approximately \$4 million.

Ms. Carpenter then added that the proposed resolution of intent, which was prepared by the District's Bond Counsel, would allow the District to get reimbursement for project costs incurred through the proceeds of the tax-exempt bonds.

Mike Cavanaugh with Hilltop Securities presented on the role the placement agency plays in the debt issuance process. Mr. Cavanaugh stated his firm would be responsible for sending out requests for bids to many banks and coordinating with the banks directly to get the lowest borrowing rate, negotiate loan terms, and assist in closing the deal. Mr. Cavanaugh presented a history of rates over the last ten years noting current rates are very low, indicating now is a good to issue debt and/or refinance.

Director Watt asked how much of a rate reduction the District will receive by refinancing the current sewer bond. Ms. Carpenter responded the District is currently paying 3.1% which could be reduced to 2.75% or even 2.50% by refinancing.

Director Guerin inquired if now is the right time to issue debt and refinance. Ms. Carpenter responded that current rates are still very low but are starting to climb, so now does appear to be the right time to take advantage of the lower rates.

Finance Manager Selamat stated the District will receive multiple bids from different banks and select the lowest option. Finance Manager Selamat commented that Fieldman, Rolapp & Associates, Inc reviewed the District's 2015 and 2016 bonds but it did not make financial sense to refinance at this time.

Director Guerin stated a lot of agencies are issuing debt or refinancing right now and recommended bringing the topic to the full board for discussion at the September 8th meeting. Director Watt agreed.

7. CONSIDER QUARTERLY INVESTMENTS AND CASH REPORTS (2ND QTR 2021)

Finance Manager Selamat reviewed the investment report as of June 30, 2021 with the committee. Cash and investments were discussed. 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.

8. REVIEW AND DISCUSS STAFF PROPOSED CHANGES TO ARTICLE 6 OF THE ADMINISTRATIVE AND ETHICS CODE

Operations Manager Fulks provided an overview on the proposed changes to District's Article 6 Administrative and Ethics code, noting that updating Article 6 is an annual objective for 2021 to bring the policy in-line with industry standards. With the updates in place staff expects process improvements, flexibility of critical operational needs, and improved efficiencies and transparency to the procurement process.

Director Watt inquired if there is a distinction between single-source vs sole-source as defined in the administrative code. General Manager Thorner responded that sole-source is defined in section 6.1C. Director Guerin asked staff to further define single-source versus sole-source within the document since there is a distinction between the two.

Director Watt inquired if the District's in-house counsel has reviewed the changes. General Manager Thorner responded that in-house counsel will review the proposed changes before being presented to the full board for approval.

General Manager Thorner stated the next steps will be to have staff make the changes discussed during the meeting, have in-house counsel review the document, then bring before the full board for consideration and approval. Director Watt and Director Guerin agreed.

9. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

10. ADJOURNMENT

The meeting was adjourned at 2:05 p.m.