

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

August 12, 2020

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Wednesday, August 12, 2020, at the District office, 1966 Olivenhain Road, Encinitas, California.

The meeting was called to order at 11:03 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.

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. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 13, 2020 REGULAR FINANCE COMMITTEE MEETING

Director Watt moved to approve the May 13, 2020 meeting minutes, seconded by Director Sprague and carried unanimously.

6. REVIEW OF QUARTERLY INVESTMENTS AND CASH POSITION REPORTS (Q2 2020)

Finance Manager Selamat reviewed the draft investment report as of June 30, 2020 with the committee. Cash and investments were discussed. Finance Manager Selamat noted the current yield across all the District's investments is 1.20%. Investment returns have continued to trend downward as the economy adjusts to impacts of the COVID-19 pandemic. The District had been able to maximize returns by increasing the amount invested in LAIF which has been outperforming the bond market. The Board's decision

to increase the LAIF investment limit to 40% at the May 2020 board meeting resulted in approximately \$30 thousand of additional investment income for the District to date.

Finance Manager Selamat reported on upcoming maturities and securities likely to be called and recommended the District reinvest in shorter-term securities until more favorable returns from longer-term securities become available. 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.

Finance Manager Selamat also provided an update on the reserve balances for the different funds as of June 30, 2020 for review and discussion.

7. CONSIDER STAFF REPORT ON ANNUAL REVIEW OF OMWD WATER CAPACITY FEES FOR 2020 (VERBAL REPORT)

Finance Manager Selamat gave a report on the annual review of water capacity fees for 2020 and a copy of the SDCWA's member agencies capacity fee survey was also presented and discussed with the committee.

Finance Manager Selamat mentioned that the District has been using the Engineering News Record's Los Angeles Construction Costs Index (ENR-LACCI) for increases in construction costs and use this index to adjust the District's water capacity fees annually. Finance Manager Selamat reported that the ENR-LACCI has increased annually by 0.47% (from June 2019 to June 2020.) Due to the current economic condition and the insignificant year to year change in ENR-LACCI, staff is recommending no increases to the District's water capacity fees for 2020 for the committee's consideration.

Director Watt asked if the District has been challenged by real estate developers on its water capacity fees. General Manager Thorner responded that, at 95% built-out, most developers in the area are fully aware that a significant portion of District water capacity fees is the system buy-in component, which was calculated based on potable and recycled water infrastructure invested to date by the District.

Director Sprague and Director Watt accepted Staff's report on 2020 water capacity fees and moved forward to bring this report to the Board at the August 19th meeting for discussion and acceptance.

8. CONSIDER STAFF UPDATE ON HOW COVID-19 CRISIS DIRECTLY AFFECTS THE DISTRICT'S FINANCIAL HEALTH THROUGH JULY 31, 2020 (VERBAL REPORT)

Finance Manager Selamat provided an update on how the COVID-19 pandemic has affected the financial health of the District and opined that the District's cash and revenues has not been significantly affected to date.

Finance Manager Selamat reported that water sales for fiscal year 2020 were below the budgeted water sales by 7.1% or \$2.7 million. Although the District sold less water to commercial customers due to the lockdown in US economy, the negative budget to actual water sales variance in fiscal year 2020 was the result of less outdoor water use from the wet and cold weather from December to April 2020.

Finance Manager Selamat also reported that the District's operating expenses for fiscal year 2020 were lower than the budget by approximately \$1.9 million. The decrease in operating expenses were primarily due to lower treatment and pumping costs from less water sold, decreased travel expenses due to COVID-19, and the increase in the District's capitalized labor for staff time spent on large capital projects such as El Camino Real pipeline replacement, Manchester pipeline replacement, and OMWD Headquarters projects.

Director Sprague asked how COVID-19 will impact the District moving forward with the fiscal year 2021 budget. General Manager Thorner responded that the fiscal year 2021 budget includes a reduction in operating and capital expenditures as part of the District's financial planning in response to COVID-19. The District implemented a 0% increase from the prior year in non-labor operating costs by reducing expenditures related to outside services, consultants, temporary labor, travel, and by postponing non-critical repairs. Additionally, the District reduced projected water sales for commercial customers in anticipation of business reduction and closures. General Manager Thorner added that water sales for July and August have increased and that the District is in a good financial position thus far.

Finance Manager Selamat stated that COVID-19 is not likely to impact water sales since customer consumption has been steady over summer months, but may impact operating cash due to delays in collections and receipts. Finance Manager Selamat added that since water and sewer collection are essential services, water and sewer agencies are less impacted by COVID-19 than other governmental agencies by credit rating agencies.

Director Watt asked if the District is experiencing collection issues due to COVID-19. Finance Manager Selamat reported that most residential customers are slower than usual in paying their water bills, however, some of the District's larger recycled water users, such as golf courses, are behind in payment, and the District is working on collecting from those customers.

Finance Manager Selamat also reported to the committee that the District made an additional discretionary payment to CalPERS of \$300 thousand in June 2020 to reduce

the District's unfunded pension liability. Finance Manager Selamat added that this payment will save the District approximately \$471 thousand over the next 25 years and that staff worked with CalPERS to allocate the payment in a manner that maximizes savings to the District in the long term.

9. CONSIDER FUTURE AGENDA ITEMS

There were no future agenda items requested.

10. ADJOURNMENT

The meeting was adjourned at 11:47 a.m.