MINUTES OF THE REGULAR MEETING
OF THE
FINANCE/INSURANCE COMMITTEE MEETING

August 21, 2018

Director Monin called the Meeting of the Finance/Insurance Committee to order at 8:36 a.m. on August 21, 2018.

Present at today's meeting were Committee Members M. SCOTT GOLDMAN, JOSE F. VERGARA, MARK MONIN, and KATHRYN FRESHLEY.

Committee Member FRED ADJARIAN was absent.

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, JUDY CIMORELL, Human Resources Manager, RICK OLSON, Operations Superintendent, NEELY SHAHBAKHTI, Finance Manager/Controller, RICK OLSON, Operations Superintendent, MIKE MIAZGA, IT Manager, GILBERT J. GRANITO, General Counsel, BOB ADAMS, HighMark Representative, KEITH STRIBLING, HighMark Representative, POLLY WELSCH, Recording Secretary, and CAROL MOORE, Laguna Woods Mayor.

Consent Calendar

1. Approval of Minutes
2. Finance Report

Director Freshley asked for the Finance report to be pulled from the Consent Calendar for further discussion.

Vice President Vergara suggested some amendments to the minutes. The Recording Secretary will make the changes.

Director Monin asked for a Motion to approve the Consent Calendar with the

Finance report pulled.

Motion: President Goldman made a Motion, seconded by Director Vergara, and unanimously carried across the Board to approve the Consent Calendar with the Finance report pulled for further discussion.

Roll Call Vote:

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| Vice President Vergara | aye |
| President Goldman | aye |
| Director Monin | aye |
| Director Freshley | aye |

Approval of Items Removed from Today's FIC Consent Calendar

Finance Report

Mr. Hill stated that the Cash Investment Schedule shall be reviewed.

Ms. Shahbakhti stated that in LAIF there is $3.5 million, and the US Treasury investments are in CAMP. Mr. Hill stated that the $5 million from the State reimbursement will go into LAIF.

Ms. Shahbakhti stated that the Income Statement, account 4985 reflects the Market Value change against the original costs.

Director Monin asked for a Motion to approve the Finance report of the Consent Calendar.

Motion: President Goldman made a Motion, seconded by Vice President Vergara, and unanimously approved across the Board to approve the Finance report of the Consent Calendar.

Roll Call Vote:

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| Vice President Vergara | aye |
| President Goldman | aye |

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| Director Monin | aye |
| Director Freshley | aye |

Finance Action Items

Director Compensation Policy and Travel Expense Reimbursement Policy Review

President Goldman asked to review these policies with the Board and management staff.

Mr. Hill stated that staff reviewed the Travel and Expense Policy and had no recommended changes to the Employee section of this policy.

President Goldman stated that on the Directors Compensation policy it defines what qualifies as an event, and the amount of compensation the Directors receive.

President Goldman stated that the meetings coordinate with the Standing Committee meeting schedule which is adopted by Resolution, and show the Primary and Alternates. He further stated that there is no need to amend this policy at this time.

Mr. Hill stated that there is also an estimated 2018-2019 conference cost schedule.

Mr. Hill stated that these policies are being reviewed today and if changes are needed, they will be brought back next month and adopted by Resolutions.

Mr. Hill stated that the Board needs to determine whether the current Director budget is enough to accommodate the cost of the conferences.

President Goldman stated that the cost of the conferences average $1,000 per conference, and suggests that we increase the Directors budget to $7,000 per fiscal year.

Director Monin asked for a Motion.

Motion: Director Monin made a Motion, seconded by Vice President Vergara, to authorize staff to make the amendment to the Travel & Expense Reimbursement Policy which increases the Directors budget for the fiscal year, and to prepare the necessary Resolution to be considered at a subsequent Board meeting.

Roll Call Vote

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| Vice President Vergara | aye |
| Director Monin | aye |
| Director Freshley | aye |
| President Goldman | aye |

Resolution No. 18-8-1 Modifying Appointment of ETWD Standing Committee Members for the Calendar Year 2018

President Goldman stated that he made some changes to include Director Freshley on some of the meetings as Primary and Alternate.

Director Monin asked for a Motion.

Motion: President Goldman made a Motion, seconded by Vice President Vergara, and carried unanimously across the Board to adopt Resolution No. 18-8-1 Modifying Appointment of ETWD Standing Committee Members for the Calendar Year 2018.

Roll Call Vote

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| Director Freshley | aye |
| Vice President Vergara | aye |
| President Goldman | aye |
| Director Monin | aye |

Resolution No. 18-8-5 Endorsing the Water Supply and Water Quality Act of 2018

Mr. Hill stated that included in the package is a summary of Proposition 3 and list of endorsing entities which is being evolved. He further stated that he has been

communicating with the State on this Water Tax Bond.

Mr. Hill stated that he asked if these funds will be distributed or allocated similar to Prop 50, Prop 84, and Prop 1. The response he received was that they will go straight to the State agencies for grant funding.

Mr. Hill stated that he asked Matteo Crew, Campaign Coordinator of Water Supply and Water Quality Act of 2018 if the State Water Resources Control Board will be the agency that develops project eligibility and approval of same. The response was that each funding category is appropriated to an agency with the State Water Resources Control Board and DWR being the two biggest recipients.

Mr. Hill stated that in terms of water quality supply grant programs, the State Water Resources Control Board grant provides for safe drinking water, wastewater recycling, and groundwater desalination while DWR manages grants for storm water, state flood control water conservation, IRWM administration, and infrastructure repairs.

Mr. Hill asked Mr. Crew who will provide oversight and accountability to ensure that the funds are used consistent with the intent of the legislation. The funding is directly appropriated to the agencies, but the legislature still has oversight of the grant programs.

Mr. Hill asked Mr. Crew that assuming that the grant passes, is there a timeline of funding and disbursement of funds. The timeline will be decided by the State agencies, the State Water Resources Control Board, and DWR, however this funding may be made available relatively soon as Prop 1 funding is estimated to be fully allocated by mid 2019.

Mr. Hill asked Mr.Crew is there any organized opposition to the bill. The

response was that Sierra Club California and Food and Water Watch are against the bill.

Mr. Hill asked Mr. Crew has there been analysis comparing tax payer benefit to their tax obligations. The response was increased state costs to repay bonds averaging about $430 million per year over the next 40 years. Savings to local governments averaging a couple hundred million dollars annually over the next few decades.

Mr. Hill stated that since 2000, voters have approved about $31 billion in GO bonds in statewide elections to pay for different types of water and environmental projects. Of this amount, roughly one-third was still available to pay for new projects as of June 2018. This includes $4 billion that was approved by voters through Prop 68 in June 2018.

Mr. Hill stated that on page 4 is a summary of where the nearly $9 million would be allocated to. He further stated that page 5 states:

- Watershed Lands $2.5 billion
- Water Supply $2.1 billion
- Fish & Wildlife Habitat $1.4 billion
- Water Facility Upgrades $1.2 billion
- Groundwater $1.1 billion
- Flood Protection $500 million

Mr. Hill stated that they also mention disadvantaged communities. He further stated that the proposition continuously appropriates the bond funds to these departments.

Mr. Hill stated that for some funding subcategories, particularly those related to increasing or protecting water supply, grant recipients would have to provide at least $1 in local funds for each $1 of grant funding they receive.

Mr. Hill stated that they estimate the cost to state taxpayers to repay this bond would total $17.3 billion to pay off both principal ($8.9 billion) and interest ($8.4 billion), which would result in average costs of about $430 million annually over the next 40 years.

Director Monin asked for a Motion.

Motion: President Goldman made a Motion, seconded by Vice President Vergara and unanimously carried across the Board to adopt Resolution No. 18-8-5 endorsing Prop 3 the Water Supply and Water Quality Act of 2018.

Roll Call Vote

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| Director Monin | aye |
| President Goldman | aye |
| Vice President Vergara | aye |
| Director Freshley | aye |

Finance Information Items

Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that included in the package is the July water usage by class and by tiers.

Comments Regarding Non-Agenda FIC Items

Close Finance and Insurance Committee Meeting

At approximately 9:22 o'clock a.m. the Finance and Insurance Committee meeting was closed.

Attorney Report

Mr. Granito reported that there is a need for a Closed Session at today's meeting.

Closed Session

At approximately 9:23 o'clock a.m. the Board went into Closed Session to discuss item #2 of today's Closed Session agenda. Also at this time, Ms. Moore, Ms. Shahbakhti, and Ms. Welsch left the meeting.

Open/Regular Session

At approximately 9:29 o'clock a.m. the Board returned to Regular Session. Also at this time, Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that the Board did go into Closed Session to discuss item #2 of today's Closed Session agenda. During this phase of the Closed Session, the Assistant General Manager and General Counsel reviewed the Claim submitted by Southern California Edison on June 20, 2018, after which the Board rejected the Claim.

Adjournment

There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Adjarian made a Motion, seconded by Vice President Vergara and unanimously carried that today's meeting be adjourned at 9:30 o'clock a.m. to Tuesday, September 25, 2018 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

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| Director Freshley | aye |
| President Goldman | aye |
| Vice President Vergara | aye |
| Director Monin | aye |

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

M. SCOTT GOLDMAN, President
of the El Toro Water District and the
Board of Directors thereof

ROBERT R. HILL, Secretary
of the El Toro Water District and the
Board of Directors thereof