MINUTES OF THE REGULAR MEETING
& OF THE
FINANCE COMMITTEE MEETING

December 14, 2020

At approximately 7:30 a.m. President Monin called the regular meeting to order via Zoom.

Director Vergara led the Pledge of Allegiance to the flag.

Committee Members JOSE F. VERGARA, MARK MONIN, KATHRYN FRESHLEY, MIKE GASKINS, and KAY HAVENS participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JUDY CIMORELL, Human Resources Manager, JASON HAYDEN, CFO, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, BOBBY YOUNG, Principal Engineer, BRUCE ASHTON, the District's Retirement Savings Plan Attorney, Douglas Hilts, HILTS CONSULTING, and POLLY WELSCH, Recording Secretary.

Oral Communications/Public Comments

There were no comments.

Items Received too Late to be Agendized

President Monin asked if there were any items received too late to be agendized. Mr. Cafferty replied no.

Finance and Insurance Committee Meeting

Director Vergara called the Finance and Insurance meeting to order.

Consent Calendar

Director Vergara asked for a Motion.

Motion: Director Freshley made a motion, seconded by Vice President Gaskins and unanimously carried across the Board to approve the Consent Calendar.

Roll Call Vote:

Director Havens	aye
Director Freshley	aye
Director Vergara	aye
Vice President Gaskins	aye
President Monin	aye

Financial Action Items

Resolution No. 20-12-1 – Amending the El Toro Water District Deferred Compensation Plan

Mr. Cafferty stated that as noted in the staff report and discussed last month, staff is proposing to update both the Deferred Compensation Plan and the Retirement Savings Plan. He further stated that the changes are to achieve the same objectives; the first of which is to provide more flexibility in how the employees can direct the District's matching funds associated with their investments.

Mr. Cafferty stated that currently the employees can elect to defer a certain percentage of their compensation to either the 401(k) Plan or the 457 Plan. He further stated that the employees choose how much they want to go into either Plan.

Mr. Cafferty stated that the District matches 75% of the employee's contribution up to a maximum of 10% of their compensation. He further stated that currently all of the District's match goes into the 401(k) Plan.

Mr. Cafferty stated that we are proposing to allow the employees, if they choose, to direct the special match from the District into the 457 Plan and to provide them with flexibility in directing their own investments. He further stated that other changes are cosmetic pronoun changes, and updates to the hardship distribution to make sure the

Plan is compliant with current regulations and laws.

Mr. Cafferty stated that the CARES Act associated with the pandemic has allowed employees who meet certain requirements to take up to $100,000 without penalties. He further stated that we need to inform Prudential and make a change in our Plan to allow this.

Mr. Cafferty introduced Mr. Bruce Ashton, the District's Retirements Savings Plan Attorney, who has reviewed and commented on these documents and has provided a legal opinion that the changes to the language as currently written comply with legal and regulatory requirements.

Mr. Granito asked Mr. Ashton if he had determined whether this proposed amendment to the District's Retirement Savings Plan would require that Mr. Ashton obtain an updated Determination Letter from the IRS, and if not is it advisable to do so anyway. Mr. Ashton replied that it does not require a Determination Letter from the IRS, although we certainly could apply for one, but it would be added expense and take a very long time to get it. He further added that it could be done, but in his view it is not required.

Director Havens asked about Section 05-2, the language "transfer upon death" and asked if the Plans are transferable upon death so they don't need to be included in a trust. Mr. Ashton replied that this section discusses distribution in the event of death and is one way a distribution could occur and has not been amended or modified. He further stated that the participant would designate a beneficiary for the Plan.

Director Havens asked about Section Bi, the CARES Act loans, the date says September 22nd is the closeout date, and shouldn't it be the last day of the calendar year. Mr. Ashton replied that the closeout date was designated by the Internal

Revenue Service. Director Havens asked if someone got sick in November, would they still qualify for this benefit. Mr. Ashton replied they would if they had taken the loan before the September 22nd closeout date.

Vice President Gaskins stated that the eligibility for the CARES Act loan must be COVID related and the employee must provide proof to the employer. Mr. Ashton stated that the employees would be taxed on the money, but if they pay the money back, they will be credited towards the taxes paid.

President Monin stated that he found it interesting that the Board managed the Plan instead of it being self-directed by the participants, and he feels that the Board takes on some liability in doing so. Mr. Ashton replied that there are two aspects to the Board's responsibility and exposure to potential liability. He further stated that with respect to assets that the water district is responsible for managing the appointment of HighMark to manage the assets provides a degree of liability protection because the District performed its due diligence when searching for a qualified investment advisor and HighMark has discretion over the selection of the assets. Mr. Ashton stated that there is another element of protection for the assets managed by the participants which is that the Board is not responsible for the decisions made by the participants in how they manage their accounts.

President Monin asked if the participants have a right to ask to self-direct their 401(k) investments. Mr. Ashton replied not unless the Plan is amended as it is not currently permitted in the 401(k) Plan. President Monin asked if this puts any liability on the Board. Mr. Ashton replied that HighMark has the discretion to manage the assets and this shifts the burden of the investment selection off of the Board and onto HighMark.

Director Vergara stated that when we changed the 9% match to 10%, the Board agreed to increase the match from 50% to 75%, and he asked if this movement has worked for the participants. Mr. Cafferty replied yes, although it hasn't been dramatic because there are some employees that are able to contribute more than others.

Director Vergara asked for a Motion.

Motion: Director Freshley made a Motion, seconded by Director Havens and unanimously carried across the Board to adopt Resolution No. 20-12-1 which amends and restates the El Toro Water District Deferred Compensation Plan.

Roll Call Vote:

Director Havens	aye
Director Freshley	aye
Director Vergara	aye
Vice President Gaskins	aye
President Monin	aye

Resolution No. 20-12-2 – Amending the El Toro Water District Retirement Savings Plan

Director Vergara asked for a Motion.

Motion: Director Freshley made a Motion, seconded by Vice President Gaskins and unanimously carried across the Board to adopt Resolution No. 20-12-2 which amends and restates the El Toro Water District Retirement Savings Plan.

Roll Call Vote:

Director Havens	aye
Director Freshley	aye
Director Vergara	aye
Vice President Gaskins	aye
President Monin	aye

At approximately 8:00 a.m. Mr. Ashton left the meeting.

Financial Information Items

Financial Package – Authorization to Approve Bills for Consideration dated December 14, 2020 and Receive and File Financial Statements as of November 30, 2020

Mr. Hayden stated that on page 9, Receivables are slightly increasing due to the current environment of financial stress.

Director Havens stated that on page 181 the 401(k) summary looks like a lot of the under 65 years of age group are withdrawing or transferring money between the age groups.

Mr. Hayden stated that on page 11, Income expenses remain positive.

President Monin stated that he appreciates Mr. Hayden keeping the Board informed.

Director Vergara asked for a Motion.

Motion: Vice President Gaskins made a Motion, seconded by President Monin and unanimously carried across the Board to approve, ratify, and confirm payment of those bills as set forth in the schedule of bills for consideration dated December 14 2020, and receive and file the Financial statements for the period ending November 30, 2020.

Roll Call Vote:

Director Havens	aye
Director Freshley	aye
Director Vergara	aye
Vice President Gaskins	aye
President Monin	aye

Tiered Water Usage and Revenue Tracking

Mr. Cafferty stated that we are on track with year to date consumption.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting.

There being no further business the Finance Committee meeting was adjourned at approximately 8:05 a.m.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

MIKE GASKINS, President
of the El Toro Water District and the
Board of Directors thereof

DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and the
Board of Directors thereof