MINUTES OF THE REGULAR MEETING
OF THE
FINANCE COMMITTEE MEETING

June 22, 2020

Director Vergara called to order the regular meeting of the Board of Directors at 10:05 a.m. on June 22, 2020.

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

Also participating via Zoom were DENNIS P. CAFFERTY, General Manager, JUDY CIMORELL, Human Resources Manager, NEELY SHAHBAKHTI, Finance Manager/Controller, GILBERT J. GRANITO, General Counsel, RICK OLSON, Operations Superintendent, BOBBY YOUNG, Principal Engineer, RORY HARNISCH, Project Engineer, CAROL MOORE, Laguna Woods City Council Member, and POLLY WELSCH, Recording Secretary.

Consent Calendar

Director Vergara stated that he had some clarification of his comments which he gave to the Board Recording Secretary.

Director Vergara asked for a Motion.

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

Roll Call Vote:

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

Approval of Items Removed from Today's FIC Consent Calendar

There were no items removed.

Finance Action Items

ETWD 2020/21 Operating Budget

Mr. Cafferty stated that the budget in the package is the same one presented at the Board Budget Workshop. He further stated that staff uses the CPI number published in January by the Bureau of Labor Statistics that represents an average of the previous year. Mr. Cafferty indicated this procedure has been consistently followed for several years.

Mr. Cafferty stated that the January average was 3.2%. He further stated that staff reduced the budget in a number of places, including cutting this number to 2.2%.

Director Vergara expressed appreciation for the effort to reduce the budget.

President Monin stated that we don't have any control over the CPI and believes it is important to remain consistent in the approach to CPI.

Vice President Gaskins stated that the procedure that the District has been following is using the January to January CPI which is 3.2% this year and he supports the District going to a 2.2% CPI which helps manage the budget. He further stated that Mr. Cafferty is working to incorporate this procedure into the Employee Handbook so employees understand how the process works. Mr. Cafferty confirmed staff is working on the policy and will bring it to the Board for approval at a future date.

Mr. Cafferty stated that the approval of the budget does not approve any rate increase. Mr. Cafferty further stated that the implementation of a rate increase consists of three components for the Board to approve: 1) approval of a Prop 218 Notice, 2)

approval of a Cost of Service Study, and 3) authorization to schedule a Public Hearing. He further stated that Raftelis is working on the Cost of Service Study.

Mr. Cafferty stated that there was not sufficient time to complete the Cost of Service Study in time for a September 1st rate increase so staff is proposing to defer a rate increase to October 1st. He further stated that staff will bring the action items to the Board in July.

Director Vergara asked for a Motion.

Motion: Vice President Gaskins made a Motion, seconded by Director Freshley and unanimously carried across the Board to approve the District's 2020/21 Operating Budget.

Roll Call Vote:

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

Financial Package – Authorization to Approve Bills for Consideration dated June 22, 2020 and Receive and File Statements as of May 31, 2020

Mr. Cafferty stated that we continue to track Aged Receivables and don't see a trend to be concerned with regarding Revenue at this time. He further stated that there is no pattern of non-payments emerging but staff will continue to monitor it.

Mr. Cafferty stated that page 11, Income Statement, we provided a comparison to actual that shows the July 2018 to May 2019 to compare current year July to May to the previous actual from the last fiscal year.

Director Vergara asked for a Motion.

Motion: President Monin made a Motion, seconded by Director Havens and unanimously carried across the Board to 1) approve, ratify and confirm payment of those bills as set forth in the schedule of bills for consideration dated June 22, 2020, and 2) receive and file the Financial Statements for the period ending May 31, 2020.

Roll Call Vote:

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

Olin Chemical

Mr. Cafferty stated that this contract is the sodium hypochlorite that we use both for the recycled water system at the Plant, and the Reservoir management system at the R-1 and R-2 Reservoirs. He further stated that this is a contract that we participate with SOCWA.

President Monin asked if we have any co-op agreements with other agencies where we can purchase products. Mr. Cafferty replied that this is exactly that which we share through SOCWA with some neighboring agencies.

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 purchase order contract for Olin Chemical in the amount not to exceed $94,000 for the purchase of 12.5% concentration Sodium Hypochlorite.

Roll Call Vote:

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

Neives Landscape

Mr. Cafferty stated that we bid this project 2 years ago, and will most likely bid it again going into the next fiscal year. He further stated that the cost remains the same as the past fiscal year.

Mr. Cafferty stated that this contract covers the Main Office, the Plant, and all of the District's other sites.

Director Havens asked if we have been satisfied with this contractor. Mr. Cafferty replied that there were some issues and we are working to improve those areas.

Director Vergara asked for a Motion.

Motion: Director Havens made a Motion, seconded by Director Freshley, and unanimously carried across the Board to approve the purchase order contract with Neives Landscape in the amount not to exceed $137,648.

Roll Call Vote:

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

CAMP Reserves Investment Direction

Mr. Cafferty stated that the Board was to provide direction to the CAMP representative. He further stated that after reviewing the previous direction that the Board provided to PFM, it was decided for all concerned that this be an action item so the direction comes clearly from the Board.

Mr. Cafferty stated that the consensus from the Board's previous direction was that which is in the Recommended Action for this item.

Director Vergara asked for a Motion.

Motion: Director Freshley made a Motion, seconded by Vice President Gaskins, and unanimously carried across the Board to confirm the direction to PFM use their best judgement in the investment of District reserve funds in a portfolio that may include longer duration investments with the District's previous benchmark, the ICE BoAML 1-3 year Treasury Index, while staying within the District's liquidity needs.

Roll Call Vote:

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

FINANCIAL INFORMATION ITEMS

JPIA Overview

Mr. Cafferty stated that the Board had previously asked for some description of the JPIA insurance program and how the District participates.

Ms. Shahbakhti stated that JPIA was established in 1979 and is a risk-sharing program created by water agencies for water agencies and consists of 360 members with 50 employees. She further stated that they cover property and liability.

Ms. Shahbakhti stated that the insurance also covers Cyber liability, Crime program, Underground storage tank pollution liability, and dam failure liability. She further stated that they also offer Workers compensation, employee benefits, risk management services, and human resources support.

Ms. Shahbakhti stated that JPIA also includes Employee benefit services, training resources and claims services. She further stated that the Annual liability and Property premium for the District is $418,371.

2020/21 Fiscal Year Budget/Cost of Service Evaluation/Preparation and Tentative Schedule Status Report

Mr. Cafferty stated that included in the package is the updated Budget schedule leading up to an October rate increase.

Tiered Water Usage and Revenue Tracking

Mr. Cafferty stated that we added total consumption to the water use.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Adjournment

There being no further business to come before the Board, the Finance Committee meeting was adjourned at approximately 10:40 a.m.

Respectfully submitted,

Polly Welsch

POLLY WELSCH
Recording Secretary

APPROVED:

MARK L. MONIN, 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