MINUTES OF THE REGULAR MEETING
OF THE
FINANCE & INSURANCE COMMITTEE

January 25, 2021

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

Director Havens 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, CAROL MOORE, Laguna Woods City Council member, RICHARD BABBE, CAMP Representative, and POLLY WELSCH, Recording Secretary.

Oral Communications/Public Comments

There were no comments.

Items Received too Late to be Agendized

President Gaskins 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.

California Asset Management Program (CAMP)

Mr. Richard Babbe provided an update on the District's investments in the CAMP account and investment strategy in the near future based on the economic outlook.

The Board members discussed the terms of the District's investments and the use of an index for tracking the portfolio investments and benchmarks.

Mr. Cafferty stated that staff is reviewing other investment options for the District's portfolio.

At approximately 8:32 a.m. Mr. Babbe left the meeting.

Consent Calendar

Director Monin asked for item #b to be pulled from the Consent Calendar for further discussion.

Director Vergara asked for a Motion.

Motion: Director Monin made a motion, seconded by Vice President Freshley and unanimously carried across the Board to approve the Consent Calendar with item #b pulled.

Roll Call Vote:

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

Approval of Items Removed from today's Finance and Insurance Committee Consent Calendar

Director Monin asked what the previous salary package was. Mr. Cafferty stated his previous base salary and that the Board had agreed to award him a 6% salary increase.

Director Vergara asked for a Motion.

Motion: Director Monin made a motion, seconded by Director Havens and unanimously carried across the Board to approve the Consent Calendar item #b.

Roll Call Vote:

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

Financial Action Items

Resolution No. 21-1-1 – Amending Policy Statement 1985-3 (IV) (El Toro Water District Investment Policy)

Mr. Hayden stated that staff discussed the investment policy and proposed updates to certain sections of the policy. He further stated that many of the changes to the policy are to change the person responsible for managing the investments from the Finance Manager to the CFO.

Mr. Hayden stated that Mr. Babbe has suggested that the District should avoid making changes to the investment strategy at this time due to the economic environment, low interest rates, and the potential for possible market losses. He then reviewed the revised version of the Investment Policy and highlighted changes to the content of the policy, including some grammatical issues.

Director Monin suggested leaving the Bankers' Acceptances in the policy in case we need it someday. He further asked if Mr. Hayden reviews the District's investments on a daily basis. Mr. Hayden replied that he reviews the investments on a weekly basis.

Director Havens agreed in reviewing the portfolio more frequently and reviewing any changes with the staff and the Board.

Director Vergara asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Havens to adopt Resolution No. 21-1-1 which amends Policy Statement 1985-3 (IV) and leaves the Bankers' Acceptances in the policy.

Vice President Freshley stated that she feels that cleaning up policy documents by removing sections that are not currently needed, such as Banker's Acceptances if we do not currently intend to invest in them, improves the documents. The District hasn't lost anything by removing sections that are not currently necessary because they can be added later if the District Board chooses.

Director Monin stated that he would like to withdraw his earlier Motion, so the Motion has died.

Director Vergara asked for a new Motion.

Motion: Vice President Freshley made a Motion, seconded by President Gaskins and unanimously carried across the Board to adopt Resolution No. 21-1-1 which amends Policy Statement 1985-3 (IV) (ETWD Investment Policy) as recommended by staff.

Roll Call Vote:

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

Quarterly Insurance Report

Vice President Freshley asked for an explanation of the Fiduciary Liability listed in the Insurance Coverage, as compared to Directors & Officers (D&O) insurance. Mr. Cafferty replied that staff will get more information on what is included in the Fiduciary Liability coverage and report back to the Board.

Director Havens stated that the Dam Failure Liability increased nearly 40%, and asked if this is correct and whether it is a one-time increase or if there is any way of receiving a lower premium. Mr. Cafferty replied that the cost increase is due to sensitivity following the Oroville Dam spillway failure and a declining number of carriers that provided this type of coverage. Mr. Cafferty further stated that the District reduced the amount of coverage to mitigate the premium cost increase. Mr. Cafferty noted that the premium would have been even higher to maintain the previous coverage.

Mr. Granito stated that the liability coverage is a small amount of money relative to the amount of potential liability associated with a dam failure and essentially amounts to a legal defense fund.

Director Monin asked when we last checked the dam for seismic activity for this earthen dam. Mr. Cafferty replied that the integrity and stability of the dam is constantly being monitored on a monthly basis and the data is provided to a consultant who has been working with us for twenty years to help evaluate the condition of the facility to ensure that there are no signs of deterioration. He further stated that the dam is inspected every year by the Division of Safety and Dams, along with our staff, and consultants.

Director Monin asked what size of earthquake could damage the dam. Mr. Cafferty replied that he did not have that information readily available and will follow up to provide a response.

Director Vergara asked how long it would take to empty the Reservoir if we needed to. Mr. Cafferty replied in the case of an emergency, we would immediately cease taking water from MET and use our water for our customer service area, and we would ask Santa Margarita Water District to turn on their pump station and there is a 24-

inch line and valve and when open will dump to the storm drain. Mr. Cafferty further stated staff will have to perform an analysis to quantify the time it would take to drain the reservoir.

Mr. Cafferty stated that there are two ways for an earthen dam to fail; one is over-topping which is water flowing over the crest of the dam, and one is a piping failure where water starts to erode its way through the dam. He further stated that the liner is eliminating the potential for any water to seep through the dam.

Director Monin asked how many covered dams does JPIA insure. Mr. Cafferty replied that staff would have to find out how many are lined and covered.

Director Vergara asked for a Motion.

Motion: Vice President Freshley made a Motion, seconded by Director Havens and unanimously carried across the Board to Receive and File the Quarterly Insurance Report for the period of October 1, 2020 through December 31, 2020.

Roll Call Vote:

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

Financial Information Items

Financial Package – Authorization to Approve Bills for Consideration dated January 25, 2021 and Receive and File Financial Statements as of December 31, 2020

Mr. Hayden stated that there have been significant changes to the Balance Sheet this past month. He further stated that Cash declined in December of 2020 due to the District making a significant loan payment.

Mr. Hayden stated that on page 3 of the Balance Sheet, there is a corresponding decrease in the Current Portion of Long-term Debt. He further stated that at the bottom of the page, Fund Equity increased, because the District reduced debt with the cash that was used in December 2020.

Mr. Hayden stated that included in the report are the Aged Receivables from December of last year so the Board could compare to the current Aged Receivables. The Aged Receivables over 121 days have increased, and the District may continue to see this trend for a while until we get through the pandemic and service interruptions for non-payment can again be utilized to induce utility bill payments.

Vice President Freshley asked if the problem is single family homes, apartments, or commercial customers. Mr. Hayden replied that it's single family homes and some commercial.

Vice President Freshley asked why money goes to the State Water Resources Control Board. Mr. Hayden replied that this was the payment for our low interest loan on the Phase 1 Recycled Water project.

Mr. Cafferty stated that last month when we were looking at the 401(k) Plan, Director Havens asked about the Withdrawals and Transfers line items. He further stated that on the Transfers, every July as staff ages from one portfolio to another, their funds are transferred.

Mr. Cafferty stated that Withdrawals were for a variety of reasons such as taking money out of the Plan, and some were specific financial needs.

Director Vergara asked for a Motion.

Motion: Vice President Freshley made a Motion, seconded by President Gaskins 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 January 25, 2021, and receive and file the Financial statements for the period ending December 31, 2020.

Roll Call Vote:

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

Tiered Water Usage and Revenue Tracking

There were no comments.

2021/22 Fiscal Year Budget Preparation and Tentative Schedule Status Report

Mr. Cafferty stated that staff has prepared a schedule to start the budget process.

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 9:10 a.m.

Respectfully submitted,

Polly Welsch

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