MINUTES OF THE REGULAR MEETING
OF THE
FINANCE & INSURANCE COMMITTEE

January 24, 2022

At approximately 7:30 a.m. President Freshley called the regular meeting to order.

Director Monin led in the Pledge of Allegiance to the flag.

Committee Members KATHRYN FRESHLEY, KAY HAVENS, MIKE GASKINS, JOSE VERGARA (via zoom), and MARK MONIN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JASON HAYDEN, CFO, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, and RICHARD BABBE, CAMP Representative.

POLLY WELSCH, Recording Secretary was absent.

Oral Communications/Public Comments

There were no comments.

Items Received Too Late to be Agendized

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

Finance & Insurance Committee Meeting

At approximately 7:32 a.m. Vice President Havens called the Finance meeting to order.

Consent Calendar

Vice President Havens asked for a Motion.

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

Roll Call Vote:

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

CAMP

Mr. Babbe stated that conditions have changed significantly due to rebounds from the pandemic, and an uneven labor market recovery. He further stated that the economy is expected to transition back to economic trend growth which would be 2-2.5%.

Mr. Babbe stated that the labor market has recovered from the pandemic even though some people have not returned to work.

Mr. Babbe stated that the Consumer Price Index in December was also the highest rate since 1982. He further stated that the components of the index are still increasing and this may be a concern in future months.

Mr. Babbe stated that the implied Federal Reserve Funds Rate projects that the Federal Reserve will increase short term rates a total of four times in 2022. He further stated that in December of 2020 the implied Federal Reserve Funds Rate forecasted no need to raise the Rate through 2023.

Mr. Babbe stated that the yield on Treasuries increased rapidly in the later months of 2021 and therefore the District's portfolio composition shifted funds from the CAMP pool into managed investments and corporate sectors.

Mr. Babbe stated that the District's portfolio contains ample liquidity in LAIF for on-going needs and projects. He further stated that market value earnings were negative for the 12-month period so the return on the portfolio for the year on a total return basis including unrealized losses was negative. He further stated that the book value strips away unrealized gains and losses, so the portfolio earned $33,000 for the 12-month period.

Mr. Babbe stated that for the quarter, total return performance was negative. He further stated that it will take time for the portfolio to catch up and achieve a higher yield.

Mr. Babbe stated that the portfolio yield will adjust to current market levels and the District's portfolio has shifted into individual securities to take advantage of the higher yields available on those securities.

Director Monin asked if Mr. Babbe had any thoughts on the yield curve. Mr. Babbe replied that rates in the 1-5 year range have increased significantly as the market recognizes that the Federal Reserve anticipates an increase in short term rates to get inflation under control.

Director Monin asked to include a yield curve in the next portfolio update. Mr. Babbe replied that he will include it.

Director Monin asked what is the average rating of the bonds in the investment portfolio. Mr. Babbe replied that it is measured by S&P and is a double A.

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

Financial Information Items

Tiered Water Usage and Revenue Tracking

There were no comments.

Update on the Implementation of the Springbrook Software System

Mr. Hayden stated that the business questionnaires are complete, and staff continues to work on the chart of accounts for the Springbrook Finance module which will be the first to be implemented.

President Freshley suggested that staff include a bar chart in the staff paper showing the modules, progress, and expected completion dates

Update on Financing Plan for Near-Term Future Capital Projects

Mr. Hayden stated that staff is working with NHA Advisors, Bank of America, and Stradling Bond Counsel to implement the next steps in the issuing of debt process.

President Freshley asked to be reminded of whether the AMI project was included in the financing of future capital projects. Mr. Cafferty replied that the Board had previously directed staff to include the AMI project.

President Freshley asked what happens to the $6 million if we decide not to pursue the AMI project. Mr. Hayden replied that staff could direct the funds to other capital projects.

Moratorium on Service Disconnection for Nonpayment

Mr. Cafferty stated that on December 31st the State moratorium on disconnection of services expired. He further stated the District should be receiving funds from the State through the arrearages program which will be applied to all of the existing account delinquencies.

Mr. Cafferty stated that the District will be notifying customers that the District would begin service discontinuations for non-payment on March 1, 2022. He further stated that the District works with customers to provide payment plans for those who have financial hardships.

Director Monin would like to know how other Districts are handling past-due accounts. Vice President Havens stated that the Board would like to review what is being sent to the customers.

Director Vergara stated that he feels the current District policy is sufficiently effective.

Update to Annual Comprehensive Financial Report

Mr. Cafferty stated that the Board previously approved the CAFR but there were two tables that were inadvertently left out of the report. He further stated that they were supplementary tables that were not required to be in the document but they were added to the 2021 Financial Statements to provide additional information for all stakeholders.

Mr. Cafferty stated that this document is posted on the District's website.

Mr. Hayden stated that the reason the "Annual" and "Comprehensive" were switched in the title is that the old acronym "CAFR" is no longer being used, and will now be referred to as "ACFR".

President Freshley suggested adding a column that reflects percentages of total expenditures and revenue.

Financial Action Items

Joint Exercise of Powers Agreement Between El Toro Water District and California Statewide Communities Development Authority – Resolution No. 22-1-1

Mr. Cafferty stated that the Board previously approved the use of Revenue Bonds for the purpose of financing future capital projects. He further stated that staff has been working with NHA Advisors and the California Statewide Communities Development Authority (CSCDA) to develop a joint exercise of powers agreement to

jointly exercise any power common to them and additional powers granted under the JPA act.

Mr. Cafferty stated that staff has been working with Stradling and the District's General Counsel and has prepared a draft JPA Agreement which has been provided to CSCDA for consideration at their February 3rd Board meeting.

Vice President Havens asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Director Monin, and unanimously carried across the Board to approve Resolution No. 21-1-1 authorizing the creation of the El Toro Water District Financing Authority and approving the Joint Exercise of Powers Agreement with the California Statewide Communities Development Authority (CSCDA).

Roll Call Vote:

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

Resolution No. 22-1-2 Adopting El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy

Mr. Cafferty stated that because the District is publicly traded debt in the form of Revenue Bonds, the District is required by the State to have a debt management policy. He further stated that although this policy is new, it documents the District's current debt management practices.

President Freshley pointed out E.2. which states that the District will not issue debt to cover operating or minor routine repair and replacement needs. All Directors were in agreement with this statement in the policy.

Vice President Havens asked for a Motion.

Motion: President Freshley made a Motion, seconded by Director Monin, and unanimously carried across the Board to approve Resolution No. 21-1-2 adopting El Toro Water District Policy Statement 2022-23 (IV) Debt Management Policy.

Roll Call Vote:

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

Resolution No. 22-1-3 Amending El Toro Water District Policy Statement 1985-3 (IV) Investment Policy

Mr. Cafferty stated that staff has reviewed the Investment Policy and made a few recommended changes.

Vice President Havens asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Director Monin, and unanimously carried across the Board to approve Resolution No. 21-1-3 amending the El Toro Water District Policy Statement 1985-3 (IV) Investment Policy.

Roll Call Vote:

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

Quarterly Insurance Report

Director Gaskins asked if the increase in the premium for the Dam insurance is because as they get older they are more likely to fail. Mr. Cafferty replied no, it's due to market costs as this insurance has become more difficult to acquire.

Vice President Havens commended staff on their hard and diligent work on maintaining this report and its effect on customers.

Ms. Cimorell stated that the District's Wellness Program utilized by employees for the Longevity employee body scans, benefited several employees' health.

Vice President Havens asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Gaskins, and unanimously carried across the Board to Receive and File the Quarterly Insurance Report for the period of October 1, 2021 through December 31, 2021.

Roll Call Vote:

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

Financial Package – Authorization to Approve Bills for Consideration dated January 24, 2022 and Receive and File Financial Statements as of December 31, 2021

Mr. Hayden stated that the District's 401(k) Plan is looking good but may be less favorable next month due to market fluctuations.

Vice President Havens asked for a Motion.

Motion: President Freshley made a Motion, seconded by Director 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 January 24, 2022, and receive and file the financial statements for the period ending December 31, 2021.

Roll Call Vote:

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

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 closed at approximately 9:30 a.m.

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

KATHRYN FRESHLEY, 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