

MINUTES OF THE REGULAR MEETING  
OF THE  
FINANCE & INSURANCE COMMITTEE

February 22, 2021

At approximately 7:30 a.m. President Gaskins 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, MIKE MIAZGA, IT Manager, CAROL MOORE, Laguna Woods City Council member, KEITH STRIBLING, HIGHMARK 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 Havens called the Finance and Insurance meeting to order.

Consent Calendar

Director Havens asked for a Motion.

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

Roll Call Vote:

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

Quarterly Review of the District's 401(k) Retirements Savings Plan

Mr. Stribling reviewed the District's 401(k) Retirement Savings Plan with staff and the Board members.

Mr. Stribling reported that it was a good quarter with positive performance on all accounts, and good on the absolute and relative basis.

Mr. Stribling reported that Value had a recovery, and Small Cap had a phenomenal quarter, while some of the Alternative Funds are still struggling a bit.

Mr. Stribling stated the economic risks for the prior quarter included the lack of a new stimulus package, election drama, and Chinese trade tensions, however the market was able to overcome these challenges and moved higher. He further stated that the availability of COVID-19 vaccines are also helping to stimulate the economy.

Director Havens asked if there are any directional changes for the coming year for the portfolio. Mr. Stribling replied yes, some of the central banks are attempting to achieve wage inflation and this may cause overall inflation to move higher and he is therefore re-positioning the portfolios for potentially increasing interest rates and rising inflation.

Mr. Hayden stated that he noticed in the report that HighMark has moved away from the AQR Style Premium Alternative Fund, and asked what process they used to move away from this underperforming fund. Mr. Stribling replied that this fund is still being used at the firm, but it has been a real struggle and is still underperforming and he therefore chose to remove this fund from the ETWD portfolios.

At approximately 7:35 a.m. Mr. Stribling left the meeting.

#### Financial Action Items

#### Financial Package – Authorization to Approve Bills for Consideration dated February 22, 2021 and Receive and File Financial Statements as of January 31, 2021

Mr. Hayden stated that on page 4, Summary of Investments, Mr. Richard Babbe of CAMP has started implementing the strategy that the Board instructed him to do a few months ago, and therefore a number of investments were made in January 2021. He further stated that the U.S. Treasuries have gone up to \$1.9 million from \$1.2 million at the end of December, and the Corporate Bonds have gone up from \$415,000 to \$525,000 at the end of December.

Mr. Hayden stated that on page 9, Receivables Ageing, continue to increase which will have a corresponding increase in Bad Debts. Mr. Hayden further stated that when we get into the budget process, we will budget more in this area due to the economy and the pandemic.

Mr. Hayden stated that on page 11, Income Statement, results from July 2020 – January 2021, are approximately the same as we were last year at the same time, so Revenues are trending where we should be.

Director Vergara asked if there is any movement in water districts applying for help for bills that are not being paid. Mr. Cafferty replied that there is a continuing effort to encourage the legislature to include water agencies in some of the relief funds

available, but thus far we haven't had access to any of the funds, and CSDA is working on another bill clarifying that water agencies are impacted as well. Mr. Hayden added that ETWD has responded to some surveys on this as well.

Vice President Freshley asked on page 6, Change in Reserves, she suggests that under "New Cash Provided by Operating Activities", when it's a negative number, indicate that we are taking cash out or where it's coming from.

Director Havens referred to page 9 of the Aged Receivables, and asked if we have a way of seeing who is trying to pay their bill. Mr. Hayden replied that Customer Service does work with customers on working out a way to pay their bill.

Mr. Cafferty stated that we have money in LAIF and the balance invested in various individual security investments, and the question is how much money do we need to have in LAIF. He further stated that when we update our Cash Reserve Policy we will review whether or not to include a liquidity requirement in the policy.

Mr. Cafferty stated that staff will also follow up on the Cal Trust option which has a 1-3 year investment fund that is similar to the type of investments PFM (Richard Babbe) are making on behalf of the District in the CAMP account, and they also have a Money Market but they use LAIF as their benchmark.

Director Monin stated that he is in favor of Cal Trust which could be a good diversification tool, and the Bond market should be monitored. He further stated that Black Rock runs the Cal Trust funds.

Director Vergara asked if staff could prepare a report on the benefits of using Cal Trust so the Board could get a better understanding.



Mr. Granito asked if the investment managers at Cal Trust and Black Rock are acting in a fiduciary role. Mr. Hayden stated that he will obtain additional information on this and include it in the report next month.

Vice President Freshley stated that she agrees that we should review using Cal Trust but cautioned about investing in too many funds because this increases the work for staff who are required to monitor these investments.

President Gaskins stated that his understanding is that our job is not to be investors for profit but rather to ensure the safety of the investments as the first priority.

Director Havens 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 February 22, 2021, and receive and file the Financial statements for the period ending January 31, 2021.

Roll Call Vote:

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

Financial Information Items

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 reached out to the Board members and Budget Committee #1, Budget Committee #2, and the Board Budget Workshop dates work for everyone.

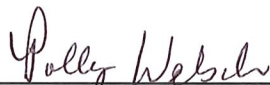
Comments Regarding Non-Agenda FIC Items

There were no comments.


Close Finance and Insurance Committee Meeting


There being no further business the Finance Committee meeting was adjourned at approximately 8:10 a.m.

Respectfully submitted,

  
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POLLY WELSCH  
Recording Secretary

APPROVED:

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

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