

MINUTES OF THE REGULAR MEETING
OF THE
FINANCE & INSURANCE COMMITTEE

August 23, 2021

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

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

Committee Members MIKE GASKINS, KATHRYN FRESHLEY, JOSE VERGARA, MARK MONIN (via zoom), 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, MICHAEL COLANTUONO, Special Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, KEITH STRIBLING, HIGHMARK Representative, CAROL MOORE, Laguna Woods Council Member (via zoom), and POLLY WELSCH, Recording Secretary (via zoom).

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.

Presentation of Awards, Recognitions and Introductions

Mr. Cafferty introduced to the Board Hannah Ford, Engineering Manager.

Finance & Insurance Committee Meeting

At approximately 7:35 a.m. Director Havens called the Finance meeting to order.

Consent Calendar

Director Havens asked for a Motion.

Motion: Director Monin made a motion, seconded by Director Vergara 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) Retirement Savings Plan

Mr. Stribling stated that the portfolios were up between 6.5% and 3.5% and Fixed Income did better on a relative basis. He further stated that Year-to-Date has been a good year on both an absolute basis and a relative basis.

Mr. Stribling stated that conservative Fixed Income was flat in the first quarter, but the portfolios with other Equities in them did very well. He further stated that in general Active outperformed Passive.

Mr. Stribling stated that the Large Cap Value Fund performed great, and Large Cap Growth had a good second quarter. He further stated that Small Cap was mixed, and Alternatives did well.

Mr. Stribling stated that with our economy there were 3 main investment issues; COVID – the Delta variant, inflation, and a potential fiscal cliff.

Mr. Stribling stated that Small Cap Growth has had a rough year and quarter, and hasn't done well. He further stated that the Black Rock fund has not done well.

Director Monin asked on the Russell 2000 and 3000, is the Victory fund in the middle of these. Mr. Stribling replied that he will check into this fund and get back to us.

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

Attorney Report

Closed Session

At approximately 8:00 a.m. the Board went into Closed Session as agendized on today's Closed Session agenda. Also at this time, everyone left the meeting except for the Board, General Manager, Mr. Granito, and Mr. Colantuono.

Open Session Report

At approximately 8:20 a.m. the Board returned to Regular Session. Also at this time, everyone returned except for Mr. Colantuono who left the meeting.

Mr. Granito reported that the Board did go into Closed Session as reflected in today's agenda and during the Closed Session, Special Counsel Michael G. Colantuono, and General Counsel Gil Granito, and the General Manager Dennis Cafferty, led a discussion with regard to the Kessner litigation. No reportable action was taken.

Financial Information Items

Update on Financing Plan for Near-term Future Capital Projects

Mr. Hayden provided a short update on the status of the financing process for upcoming large capital projects. Mr. Hayden noted that Staff had been meeting with NHA Advisors regarding the financial analysis and was recommending engaging the services of Stradling, Yocca, Carlson, & Rauth as bond counsel for the District.

Tiered Water Usage and Revenue Tracking

Mr. Cafferty stated that staff is continuing messaging to our customers about the Governor's request to reduce water use by 15% compared to 2020 water use.

Vice President Freshley stated that United's water use has nearly doubled, and she suggested that we spend some time educating them on how to cut back on outside water use.

Financial Action Items

Enterprise Resource Planning Software System

Mr. Cafferty stated that at the July Special Board meeting, there was discussion about the Springbrook software which would be intended to replace the District's Accounting system, Payroll system, and Billing system and integrate these systems into one coordinated software system. He further stated that staff has been working with Springbrook to get contract documents developed to finalize the proposal.

Mr. Cafferty stated that the contract documents are included in the Board package, while staff continues to work with Springbrook to clean up some language that is not yet satisfactory.

Vice President Freshley asked if we will have progress billing. Mr. Hayden replied yes.

Vice President Freshley asked if the data usage and storage is more than 500 gigabytes, so what happens if the District exceeds this limit. Mr. Hayden replied that the District should not come close to this number of gigabytes of storage because the current system which has been used for 20 years only has 5 gigabytes of storage. Vice President Freshley asked how long we have to keep our data. Mr. Hayden replied at least 7 years.

Vice President Freshley asked if the agreement was modified to cap the annual increases at 5% instead of 7% . Mr. Hayden replied that the order form has been modified and now includes a maximum increase of 5% per year.

Vice President Freshley asked if there is a dispute to be resolved in a California court, how can the laws of Oregon apply. Mr. Cafferty replied that the Order Form modifies this section by Title as being changed to California law which the Order Form will state that it supersedes Oregon law.

Director Monin stated that he would feel more comfortable voting on this when the language has been corrected. Director Havens proposed that we continue this discussion and voting to Thursday's regular Board meeting.

Vice President Freshley asked if on-line payments is a new process for us. Mr. Hayden replied no, we currently offer on-line payments through our website using a portal. President Gaskins asked if the surcharge will go away. Mr. Hayden replied no, there will still be a surcharge through Civic Pay, however part of the cost we may consider absorbing.

Director Monin stated that Civic Pay is a pay system, and have we checked into how secure they are. Mr. Hayden replied that they are PCI compliant and secure.

Vice President Freshley asked does this system have the feature to withhold court-ordered funds from an individual's pay. Mr. Hayden replied yes it does.

Vice President Freshley asked what is KVS Software. Mr. Hayden replied that it doesn't apply to us, so it should not be included in the agreement.

Director Vergara stated that he agrees that we need to see the written changes before we agree to anything.

Director Havens asked what will happen to our Tiered metering system. Mr. Hayden replied that it will be included in the proposed billing system module.

Director Havens asked about the AMI interface and sharing customer data. Mr. Hayden replied that Springbrook already has AMI interfaces and can import the data

into the Utility Billing module.

Vice President Freshley stated that she was surprised to see the payroll implementation in training was 249 hours because it's a simple training. Mr. Hayden replied that payroll is a complicated system and the implementation and training process will include offsetting dozens of different pay codes.

Director Havens asked for a Motion.

Motion: President Gaskins made a Motion, seconded by Vice President Freshley and unanimously carried across the Board to continue this discussion and adjourn today's Finance and Insurance Committee meeting to August 26, 2021 at the time of 7:30 a.m. or shortly thereafter (a copy of the Notice of Adjournment is attached to these minutes), and defer voting on authorizing the District's General Manager to 1) enter into a contract with Springbrook in the amount of \$42,910.65 for an annual software subscription, and 2) enter into a contract in the amount of \$130,133 with Springbrook for professional services associated with implementation and training.

Roll Call Vote:

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

Certificates of Participation (COP) Legal Counsel

Mr. Hayden stated that this item was discussed at the Special Board meeting.

He further stated that Stradling Yocca Carlson & Rauth was the #1 choice for Bond Counsel.

Director Vergara asked if there is another company handling the financial part. Mr. Cafferty replied yes, it's NHA Advisors, which is the best fit for the District.

Director Havens asked what a private placement is. Mr. Hayden replied that it would be if the District were to market the financing privately to individual banks but this would be unlikely to happen due to the size of the loan.

Director Havens asked for a Motion.

Motion: Director Vergara made a Motion, seconded by President Gaskins, and unanimously carried across the Board to authorize the District's General Manager to enter into a contract with Stradling Yocca Carlson & Rauth in the amount of \$70,000.00 to provide legal counsel and services necessary for the District to successfully issue Certificates of Participation (COP).

Roll Call Vote:

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

Financial Package – Authorization to Approve Bills for Consideration dated August 23, 2021 and Receive and File Financial Statements as of July 31, 2021

Vice President Freshley asked on the Income Statement, why the electrical power was almost 45% above what was budgeted. Mr. Hayden replied that it is most likely a seasonal impact issue.

Mr. Hayden stated that in regards to Accounts Receivable, Aging Analysis he is working on a survey from the State Water Resources Board which received some money from the Federal Government and they may reimburse the District for some of the unpaid utility bill debt.

Director Havens asked for a Motion.

Motion: Director Monin 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 August 23, 2021, and receive and file the financial statements for the period ending July 31, 2021.

Roll Call Vote:

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

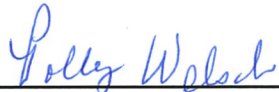
Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting


There being no further business the Finance Committee meeting was closed at approximately 9:10 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