

MINUTES OF THE REGULAR MEETING  
OF THE  
FINANCE & INSURANCE COMMITTEE

April 25, 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, and MARK MONIN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, JASON HAYDEN, CFO (via zoom), JUDY CIMORELL, Human Resources Manager, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, and POLLY WELSCH, Recording Secretary.

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 7:35 a.m. Director Monin called the Finance meeting to order.

Consent Calendar

Director Monin asked for a Motion.

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

Roll Call Vote:

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

Financial Information Items

Tiered Water Usage and Revenue Tracking

Mr. Cafferty stated that water use in March 2021 was higher than use compared to March 2020 which was a low water use month.

Update on the Implementation of the Springbrook Software System

Mr. Hayden stated that staff has met with Springbrook staff to review and train on the finance module. He further stated that the General Ledger and Accounts Payable modules are now set up, the chart of accounts has been created, and vendor entry is ongoing.

Mr. Hayden stated that staff will be meeting with Springbrook staff to review and train on the Human Resources module, which will provide an understanding of how the Human Resources module interacts with the Payroll module.

Mr. Hayden stated that staff had a session with Springbrook's software development team to review the progress on modifying the Utility Billing module to accommodate the water budget-based billing process, and the modifications have been made.

Mr. Hayden stated that staff continues to review options for employee timekeeping.

President Freshley asked if other water utility districts are having an issue with the timekeeping. Mr. Hayden responded that other districts deal with their payroll

system a different way from splitting the Friday and we are exploring options, and if it doesn't work for us, we would continue using ADP for the timekeeping system.

Director Gaskins stated that if a Fair Standards Labor Act (FSLA) violation is claimed, there are matching penalties, and he is not comfortable with waiving the FSLA act, and recommends not changing the District's current work week which complies with FLSA mandates. President Freshley stated that she agrees.

Vice President Havens asked about the data for the parcel maintenance table for landscaped area, and asked where the data will be coming from. Mr. Cafferty replied that we have data for the landscaped area already for every customer.

Director Vergara asked what is the duration of the contract with Springbrook. Mr. Hayden replied that it is an annual subscription, but we could choose to withdraw at any time by exporting the data out of Springbrook's system and into whatever system the District chooses to go with. He further stated that everything is going well with the transition to Springbrook.

President Freshley asked what the Discovery Session Begins means. Mr. Hayden replied that it means that they assess our process and then analyze how our information would be integrated into the Springbrook system.

President Freshley asked what is happening in May prior to the Go Live Sessions. Mr. Hayden replied that during that time there will be information and discussion on how the systems will be integrated, including staff training.

President Freshley asked how the staff is being trained on the Springbrook system. Mr. Hayden replied that staff is being trained through zoom meetings.

### Update on Financing Plan for Near-Term Future Capital Projects

Mr. Hayden stated that NHA Advisors provided staff with an assessment of current market conditions for the municipal bond market. He further stated that municipal bond interest rates have increased and had the District waited to issue the 2022 Revenue Bonds, the True Interest Cost to issue bonds in the current market is approximately 3.69%, which is higher by 64 basis points and would have cost the District an estimated additional \$5 million in interest costs.

### 2022/23 Fiscal Year Budget Preparation and Tentative Schedule Status Report

Mr. Cafferty stated that the Budget Committee #1 meeting has been held, and the Board Budget Committee #2 meeting will be on May 9<sup>th</sup>, with the full Board Budget Workshop on May 24<sup>th</sup>. Mr. Cafferty advised the Board that current fiscal challenges as well as the draw on capital charge revenues to support the debt service on the recently issued revenue bonds will likely result in a need to draw down certain of the Board mandated reserves in the short term with a long-term plan to replenish those reserves.

Director Vergara asked about inflation impacts on the projects intended to be funded by the Revenue Bonds. Mr. Cafferty replied that staff is closely monitoring inflation impacts on the cost estimates for the specific projects funded by the revenue bonds. Mr. Cafferty further stated that funds earmarked for the AMI project may have to be redirected to other projects in the short term if costs increase beyond the funding provided by the revenue bonds.

Mr. Cafferty indicated that staff is evaluating the possibility of using the Orange County Tax Collector to collect the ETWD Capital Charge Revenue on property tax bills. Mr. Cafferty further stated that staff will provide a more detailed discussion at the May Board meeting.



## Financial Action Items

### Revisions to the Employee Handbook

Mr. Cafferty stated that the District's Performance Based Compensation Pool Program provides an annual salary merit increase based on the employee's performance evaluation. He further stated that the budget is developed annually as part of the District's Operating Budget in which a labor budget component defines and includes a budget for the program.

Mr. Cafferty stated that the budget includes a 3% merit component and a cost of living component based on the CPI (Consumer Price Index), and the sum represents the total of the program budget. He further stated that the CPI component is based on the annual average of the monthly CPI data for the previous calendar year which is published in January.

Mr. Cafferty stated that the current program includes compensation increases for employees in January and therefore salary adjustments are implemented 12 months after the publishing of the CPI data, which in the past year was 1.7%. He further stated that in January 2022 the CPI monthly data inflation exceeded 7%.

Mr. Cafferty stated that the District operates on a July – June fiscal year, but the compensation increases occur on a calendar year, which causes confusion in the labor budget. He further stated that staff is proposing modifications by revising the Performance Based Compensation Pool Program Policy in the Employee Handbook to include changing the implementation date from January to July, changing the performance review cycles from the calendar year to the fiscal year, and changing the CPI component measurement date from December to January while allowing more recent data if the budget preparation schedule permits.

Director Monin asked when was the last time we adjusted our system of performance reviews. Mr. Cafferty replied that it was changed approximately 12 years ago when reviews were based on anniversary date, and everyone got the same 3% raise.

President Freshley asked if other Districts are operating their merit program and payroll on a fiscal year basis. Ms. Cimorell stated that most Districts are on a fiscal year for both programs.

President Freshley asked if staff will have an issue doing all of the performance reviews while budget preparation is going on. Mr. Cafferty replied that staff has considered this, and the majority of the budget preparation effort begins in February and the review work will happen largely in April and May so the overlapping efforts will be manageable.

Director Monin asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by President Freshley and unanimously carried across the Board to adopt Resolution No. 22-4-1 which amends the District's Policy Section II of the Employee Handbook.

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 April 25, 2022 and Receive and File Financial Statements as of March 31, 2022

Mr. Hayden stated that the Income Statement is doing good compared to the prior year, with expenses slightly less than budget and revenues trending towards budgeted revenues.

President Freshley asked about the Balance Sheet for Long-Term Debt, where is the bond issuance. Mr. Hayden replied that this Balance Sheet is through the end of March so those journal entries have not yet been entered.

Director Vergara asked if the Accounts Receivable have been better than the previous month. Mr. Hayden replied that the Arrearages Program has been recognized now so the \$65,000 received from the State has been applied to the delinquent customer accounts which drew down the over 121 days balances, which is still higher than last year. He further stated that we have communicated to customers that we will be reinstating the shutoff process for delinquent accounts in June.

Mr. Cafferty stated that the money received from the State was for the water portion of the Arrearages Program, and staff has recently submitted an application for the wastewater portion in the \$25,000 range.

President Freshley asked in line 5475, Contractors who are we paying \$100,000 for. Mr. Cafferty replied that we budget SOCWA as a Contractor which is most of this cost, in addition to other Contractors.

Director Monin asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Vice President Havens 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 April 25, 2022, and receive and file the financial statements for the period ending March 31, 2022.

Roll Call Vote:

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

### Quarterly Insurance Report

Ms. Cimorell stated that we are on track for the annual budget. She further stated there were no workers compensation claims this quarter.

Director Monin asked for a Motion.

Motion: Vice President Havens made a Motion, seconded by Director Vergara, and unanimously carried across the Board to Receive and File the Quarterly Insurance Report for the period of January 1, 2022 through March 31, 2022.

### Roll Call Vote:

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

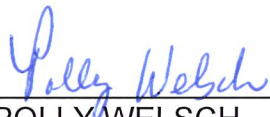
### Comments Regarding Non-Agenda FIC Items

There were no comments.

### Close Finance and Insurance Committee Meeting

There being no further business the Finance Committee meeting was closed at approximately 8:50 a.m.

Respectfully submitted,

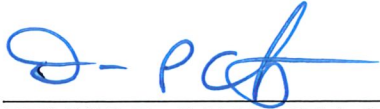
  
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POLLYWELSCH  
Recording Secretary



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

