

MINUTES OF THE REGULAR MEETING
OF THE
FINANCE & INSURANCE COMMITTEE

June 20, 2022

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

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

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

Also participating were DENNIS P. CAFFERTY, General Manager, JASON HAYDEN, CFO, JUDY CIMORELL, Human Resources Manager, GILBERT J. GRANITO, General Counsel, SCOTT HOPKINS, Operations Superintendent, HANNAH FORD, Engineering Manager, SHERRI SEITZ, Public Relations/Emergency Preparedness Administrator, SUDHIR PARDIWALA, Raftelis Representative (via zoom), 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 7:32 a.m. Vice President Havens called the Finance meeting to order, in lieu of Director Monin's remote attendance.

Consent Calendar

Vice President Havens asked for a Motion.

Motion: Director Vergara made a motion, seconded by Director Gaskins 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 usage by District residents is somewhat less in May, 2022 compared to the prior year.

Director Vergara asked if staff monitors water waste and broken sprinklers. Mr. Cafferty replied that the District receives water waste complaints through the District email and staff contacts and educates the customer.

Update on the Implementation of the Springbrook Software System

Mr. Hayden stated that the District is moving forward with training on the system and different modules.

President Freshley asked if we will be dropping ADP. Mr. Hayden replied yes, once the new time and attendance system has been activated.

Vice President Havens asked if Springbrook can automate some of the data feeds into the graphs we see in the Board packages. Mr. Hayden replied that there will be some changes to the Reserves analysis charts.

President Freshley asked if it will be difficult in Springbrook to create new reports. Mr. Hayden replied that Springbrook has a customizable report writing function and staff has been attending some trainings and will continue to train more.

Mr. Hayden stated that the Utility Billing Data has been converted into Springbrook's test database. He further stated that the Payroll module will go live in July and replace ADP payroll.

President Freshley asked if the Finance module includes functionality for both Receivables and Payables. Mr. Hayden replied yes.

President Freshley asked about Springbrook's capability for tracking Construction Contracts. Mr. Hayden replied that we purchased the Project Management module and the module will provide the District with the capacity to track revenue and expenses associated with capital projects as well as facility and equipment maintenance activities.

Consideration of Collection of the Capital Charge Through the Orange County

Treasurer Tax Collector and County Property Tax Roll

Mr. Cafferty stated that the concept would be to move the Capital Charge that is currently on the District's monthly bill to customer's Property Tax bills. He further stated that this would be a new line item on the customer's property tax bill but would reduce the amount charged to customers on the District's monthly bill.

Mr. Cafferty stated that staff has discussed the implementation process with other agencies, and some have investigated this program and others did not proceed due to the amount the Tax Collector receives for this service.

Mr. Hayden stated that the Orange County Auditor/Controller charges 30 basis points which would be approximately \$20,000/year. He further stated that the

application is included in the package.

President Freshley stated that she feels the Laguna Woods Village would be difficult to assess with the multi-metered allocations. She further stated that she doesn't see any benefit to the District since we don't have a collection issue.

Director Vergara asked how much money the District declares as losses each year. Mr. Hayden replied that the District's bad debt is generally between \$5,000 to \$10,000/year.

Director Gaskins stated that he agrees with President Freshley in that there is no huge advantage in pursuing this.

Director Vergara asked if we would have exposure in the newspaper showing we could have a higher rate than neighboring agencies. Mr. Cafferty replied yes there is always the risk of exposure when reporters request information on comparisons to other Districts.

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

There were no comments.

At approximately 8:05 a.m. Director Monin left the meeting.

Financial Action Items

Financial Package – Authorization to Approve Bills for Consideration dated June 20, 2022 and Receive and File Financial Statements as of May 31, 2022

President Freshley stated that the Balance Sheet includes Restricted Assets of \$35 million that are also listed in the middle of the page, so why are the Restricted Assets listed twice with one negative and one positive so they net to zero. Mr. Hayden replied that the District is illustrating that Restricted Assets are a component of total cash.

President Freshley asked why we are paying so much to Moulton Niguel Water District. Mr. Cafferty replied that it was probably two months' worth of water due to the Baker interconnection being offline, so the District was purchasing water directly through Moulton Niguel.

Mr. Hayden stated that staff held off on investing the proceeds from the 2022 Bond issuance because the Federal Reserve indicated it would raise the Federal Funds rate and interest rates would likely increase. The District received an initial quote of 1.69% interest for a structured CD product but because Staff had waited, the revised quote after the Federal Reserve's action was now more than 2%. President Freshley suggested investing half of the funds now and holding off on the other half to invest after the Federal Reserve Board's next meeting when interest rates may increase again.

Vice President Havens asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Director Vergara 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 June 20, 2022, and receive and file the financial statements for the period ending May 31, 2022.

Roll Call Vote:

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

Prop 218 Amendment

Mr. Cafferty stated that staff noted an error on the Prop 218 Notice after it had been distributed to property owners in the service area last week. He further stated that Raftelis prepared a detailed analysis within our current 2021/22 budget to determine

what the impacts would be absent the need to generate further Revenue.

Mr. Cafferty stated that in the process of preparing the Prop 218 Notice, we had a 2021/22 intermediate rate and on three of our current charges the rate being shown was the 2021/22 revised rate. He further stated that staff had discussions with the General Counsel and Special Counsel to assess options to resolve the discrepancy and have concluded that the best transparent path would be to acknowledge the error and notify the Prop 218 Notice recipients of what the correct current charge is. Since the proposed charge was correct, the attorneys indicated there is no need to start the Proposition 218 process over.

Vice President Havens noted an error in the Notice. Staff concurred and will correct the error.

Vice President Havens asked for a Motion.

Motion: Director Vergara made a Motion, seconded by President Freshley and unanimously carried across the Board to approve the amendment to the Prop 218 Notice and authorize distribution of same in a manner similar and consistent to the distribution of the original 218 Notice.

Roll Call Vote:

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

2022/23 Water, Recycled Water, and Wastewater Rate Study

Mr. Cafferty stated that staff and Raftelis reviewed the Rate Study in its final form.

Vice President Havens stated that Hotels are listed as High Strength and also as Medium Strength, so there may be an error on these tables. Mr. Cafferty stated that the Hotels should be listed as Medium Strength. Mr. Pardiwala agreed that they should be listed as Medium Strength and this will be corrected in the final Rate Study Report.

Vice President Havens asked for a Motion.

Motion: President Freshley made a Motion, seconded by Director Gaskins and unanimously carried across the Board to receive and file the 2022/23 Water, Recycled Water, and Wastewater Rate Study with the corrections made as discussed relative to the identification of the classification of Hotels.

Roll Call Vote:

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

At approximately 8:25 a.m. Mr. Pardiwala left the meeting.

Resolution No. 22-6-1 Amending the District's Purchasing Policy Statement 1996-13 (IV)

Mr. Hayden stated that part of the motivation for updating the Policy is to authorize electronic signatures when applicable. He further stated that many of the positions included in the Policy needed to be updated to reflect the District's current organizational chart.

President Freshley stated that she has a number of suggestions and questions about the amended Purchasing Policy.

After further discussion with the Board, Mr. Cafferty stated that staff will table this item and resume discussion at an adjourned meeting on Thursday morning at 7:30 a.m. or shortly thereafter.

No Motion was made on this item at today's meeting.

Olin Chlor Alkali Products

Mr. Cafferty stated that the Olin Chlor-Alkali is used as a disinfectant at the Tertiary Treatment Plant.

Vice President Havens asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Director Gaskins and unanimously carried across the Board to approve the purchase order contract for Olin Chlor-Alkali Products in the amount not to exceed \$100,000 for the purchase of 12 ½% concentration Sodium Hypochlorite for the Tertiary Treatment Plant.

Roll Call Vote:

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

Recess

At approximately 8:45 a.m. the Board took a short recess.

Return to Regular Meeting

At approximately 8:50 a.m. to Board returned to Regular session.

Nieves Landscape

Mr. Cafferty stated that the reference material in the package is a Contract Summary showing the different sites and the frequency with which they are landscaped for ETWD.

Director Vergara asked what Nieves Landscape charged last year for this contract. Mr. Cafferty replied approximately \$141,000 which increased this year by 3.5%.

Vice President Havens asked for a Motion.

Motion: President Freshley made a Motion, seconded by Director Gaskins and unanimously carried across the Board to approve the purchase order contract with Nieves Landscape in the amount not to exceed \$146,566.35.

Roll Call Vote:

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

Comments Regarding Non-Agenda FIC Items

There were no comments.

Motion to Adjourn Meeting

Director Vergara asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Director Vergara and unanimously carried across the Board to adjourn the meeting and continue discussion on item #9, Resolution No. 22-6-1 Amending the District's Purchasing Policy Statement 1996-13 (IV).

Roll Call Vote:

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

Close Finance and Insurance Committee Meeting


There being no further business the Finance Committee meeting was closed at approximately 8:55 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