

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
AND THE
FINANCE & INSURANCE COMMITTEE MEETINGS.

February 23, 2026

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

Director McClean led the Pledge of Allegiance to the flag.

Directors MARK MONIN, MIKE GASKINS, KAY HAVENS, KATHRYN FRESHLEY, and WYATT McCLEAN participated.

Also participating were DENNIS P. CAFFERTY, General Manager, GILBERT J. GRANITO, General Counsel, JUDY CIMORELL, Director of Human Resources, VISHAV SHARMA, CFO, HANNAH FORD, Director of Engineering, SCOTT HOPKINS, Operations Superintendent (7:34 a.m.), MIKE MIAZGA, Information Technology Manager (Zoom), SHERRI SEITZ, Public Affairs Manager (Zoom, 8:21 a.m.), VU CHU, Water Resources Supervisor (Zoom), VICKI TANIOUS, Senior Accountant (Zoom), CAROL MOORE, City of Laguna Woods (Zoom), KEITH STRIBLING, PFM Asset Management LLC., ROBERT MONTOYA, PFM Asset Management LLC., and MARISOL MELENDEZ, Recording Secretary.

Determination of a Quorum

Roll Call:

Director McClean	Present
Director Monin	Present
Director Gaskins	Present
Vice President Havens	Present
President Freshley	Present

Five Board members were present at the meeting and therefore a quorum has been determined.

Oral Communications/Public Comment

There were no comments.

Items Too Late to be Agendized

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

Finance and Insurance Committee Meeting

At approximately 7:33 a.m. Director Monin called the Finance and Insurance Committee meeting to order.

Consent Calendar

Director Monin asked for a Motion.

Motion: Vice President Havens made a motion, seconded by President Freshley to approve the Consent Calendar.

Roll Call Vote:

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

Financial Information Items

California Asset Management Program (CAMP)

Mr. Montoya provided a brief market update, noting that the U.S. economy remains resilient despite the government shut down. He reported that the Federal Reserve lowered the target rate by 50 basis points in the fourth quarter of 2025, with economic growth supported by consumer and business spending. One additional rate cut is projected in 2026; however, a new Federal Reserve Chair is expected to take office in May and may take a different approach.

Regarding the District's portfolio, Mr. Montoya reported a yield at cost of 4.55% and a yield at market of 3.83%. He stated that the portfolio is managed on a non-discretionary basis and that accrual basis earnings performed well during the last quarter. The outlook for the fixed-income sector remains neutral. He also noted that several maturities are expected in the coming weeks and that PFM staff will proceed with District staff input.

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

Mr. Stribling reported that the District's absolute returns increased between 1.5% and 2.5%, though performance was modestly below the benchmark. He noted that overall performance in 2025 was strong. Since transitioning to Empower three years ago, the Growth fund has compounded nearly 19%, outperforming the benchmark by 110 basis points.

Mr. Stribling stated that the current economic outlook continues to be policy-driven, particularly with respect to trade relationships and tariffs, while other policies are supporting economic growth. He added that the investment outlook remains neutral, reflecting a balance between policy uncertainty and elevated market valuations.

Mr. Montoya and Mr. Stribling left the meeting at approximately 8:19 a.m.

Deferred Compensation Plan (457 Plan) Quarterly Performance Report

Mr. Sharma stated that the first portion of the report provides an overview of market conditions. He noted that the plan is a self-managed portfolio, allowing employees to select from 17 different investment options, including Schwab self-directed accounts. Mr. Sharma reported that the plan currently has 57 participants with total participant assets of approximately \$9.6 million.

Financial Statements and Report

Mr. Sharma reported that the District is in the process of implementing the fixed asset module in Springbrook. He explained that approximately four years ago staff changed the depreciation method for fixed assets from half-year convention to a full-year depreciation method. Previously, depreciation calculations were performed in Excel, and during the system conversion staff determined that prior half-year depreciation need to be accounted for. As a result, approximately \$780,000 in additional depreciation will be recorded following implementation, which will be reflected in retained earnings as recommended by the auditor. Mr. Sharma also reported that the agenda package includes a reverse cyclic program repayment schedule showing the return on investment. The District has received the first 22-acre feet of water.

Mr. Sharma reported that the District's cash and investments totaled approximately \$23.4 million at the end of January. The Current ratio was 9.85 and days of cash on hand was 244 days. The accounts receivable turnover ratio was 37 days for January and 30 days year-to-date, while the accounts payable turnover ratio was 21 days for the month and 33 days year-to-date. He noted that all expense categories are currently at or below budget.

Fiscal Year 2026-27 Budget Process Update

Mr. Cafferty reported that staff has been working with Raftelis since October and has provided detailed budget information as part of the rate study process. Raftelis is currently developing preliminary rate projections in preparation for the next Budget Committee meeting. At the first Budget Committee meeting, staff discussed key concepts and direction to confirm that the process was progressing appropriately.

Mr. Cafferty shared that staff is developing a multi-year Proposition 218 notice for all District rates and will recommend a five-year notice at the next Budget Committee

meeting. This approach would provide flexibility to maintain rates for up to five years, avoid the need for a new rate study each budget cycle, and minimize scheduling impacts associated with issuing a new Proposition 218 notice annually. Staff would still retain the ability to conduct another rate study within that five-year period if necessary. He added that the long-term financial plan projects revenue requirements intended to build reserves in accordance with the District's cash reserves policy. Additional cost drivers include capital investment projects and charges from MET, which have not yet been finalized.

Directors' Travel & Expense Reimbursement Policy

Mr. Cafferty stated that the Directors' Travel and Expense Reimbursement Policy requires an annual review by the Board. Staff does not recommend any revisions to the policy.

Financial Action Items

Financial Package – Authorization to Approve Payment of Bills for the Month Ending January 31, 2026

Director Monin asked for a Motion.

Motion: Director Gaskins made a motion, seconded by Director McClean to ratify and confirm payment of those bills as set forth in the Payment Summary for the month ending January 31, 2026.

Roll Call Vote:

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

Comments Regarding Non-Agenda FIC Items

There were no comments.

Adjournment

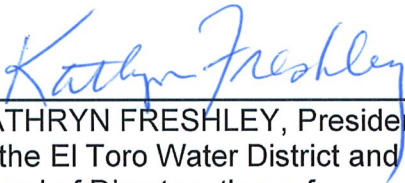
There being no further business the Finance and Insurance Committee meeting was closed at approximately 8:58 a.m.

Respectfully submitted



MARISOL MELENDEZ
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