

ZONE 7 BOARD OF DIRECTORS
SUMMARY NOTES OF THE FINANCE COMMITTEE

May 3, 2018
1:00 p.m.

Directors present: Dick Quigley
Angela Ramirez Holmes
Bill Stevens

Staff present: Osborn Solitei, Treasurer/Assistant General Manager, Finance
JaVia Green, Staff Analyst
Jarnail Chahal, Engineering Manager
Nzinga Arrington, Acting Executive Assistant

Director Quigley called the meeting to order at 1:00 p.m.

1. Public Comment on Items Not on the Agenda: There were no comments from the public.

2. FY 2017-18 Third Quarter Revenue & Expenditure Report

Osborn Solitei, Treasurer/Assistant General Manager, Finance, presented a summary of the Third Quarter Revenue and Expenditure Report. He stated that the report covers the first nine months of Fiscal Year 2017-18, July 1 through March 31, 2018 and year-end projections for FY 2017-18. Mr. Solitei highlighted revenues and expenditures for each of the Agency's funds as outlined in the staff report. Mr. Solitei stated that the Agency has received two federal grants (EPA and NRCS) and two funds were set up to account for the federal funds. At the end of the fiscal year a single audit will be performed on the federal grants.

Fund 100 – Water Enterprise Operations. On April 24, 2018, DWR announced a 30% Table A allocation for 2018. Q2 Water cost projections were based on a 20% allocation, however, the Q3 projection has been revised downward because the allocation has been increased to 30%, reducing the need to recover water from Semitropic this year.

Mr. Solitei stated that reserves are increasing, but still below Board reserve policy. Director Ramirez Holmes asked if the fund will be under budget. Mr. Solitei stated yes, mainly due to a budgeted debt service payment of \$1.2M for the DVWTP Ozone bonds, however based on the current debt payment schedule, the first debt service payment of interest will be in January 2019 and not in the current fiscal year.

Director Quigley asked why such a large variance for chemicals. Mr. Solitei stated that the chemicals costs are variable and we are receiving cleaner water from the delta. Mr. Solitei stated that we are also plan to pump more groundwater because the basin is nearly full. Director Ramirez Holmes asked if the change in allocation is reflected in the \$2.8 underbudget projection.

Mr. Solitei responded yes. Mr. Solitei also stated that water sales are still below 2013, but higher than 2017. The budget assumed a 20% conservation, but current level is at 16%.

Fund 110 – State Water Facilities Fund. The third quarter Dougherty Valley Surchage projection is less than the YTD actual. A credit will be issued to the Dublin San Ramon Services District because actual State Water Project charges are less than budgeted. An over-charge or under-charge is based on estimates from DWR. Director Quigley asked if we pay DWR monthly. Mr. Solitei responded that the payments are monthly and semi-annual. The projected ending reserve balance of \$21.9 million is in compliance with the minimum reserve requirement.

Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements. The fund balance is projected to increase due to bond proceeds for the ozone projects .

Fund 130 – Water Enterprise Capital Expansion Fund. The FY 2017-18 Q3 FYE connection revenue projection has been adjusted downward based on YTD trends (from 1,693 connections to 1,354). Director Ramirez Holmes asked if this fund will pay for the California WaterFix. Mr. Solitei responded no. On April 11, 2018 the Agency closed on a bond sale to finance the refunding of the Cawelo Water District capital payment, saving around \$0.2M per year. The projected ending reserve balance is in compliance with Board policy.

Fund 200 – Flood Protection Operations. Five out of the 208 damaged sites have been repaired. There are twenty-six sites planned for repair this Summer. Director Ramirez Holmes asked how would so many sites be repaired this Summer. Mr. Solitei explained that the Agency received bid packages for this project and will be placed in the May board agenda. The reserve balance is in compliance with Board policy.

Fund 210 – Flood Protection Development Impact Fee Fund. The ending fund balance of \$62.1 million is designated to fund the proposed Flood Protection CIP/draft Stream Management Master Plan amendment. The reserve balance is in compliance with Board policy.

Fund 230 – Environmental Protection Agency (EPA) Mr. Solitei stated that there has already been \$0.25M spent in grant funds.

Fund 231 – Natural Resources Conservation Service (NRCS) Mr. Solitei stated the Agency requested \$759,000 for reimbursement and the funds were received on May 1, 2018.

Other Funds: In the future, Funds 300 and 310 may be used for projects such as the Chain of Lakes Pipeline, purified water, future phases of Sites Reservoir and gap funding for California WaterFix.

3. Investment Report as of March 31, 2018. Mr. Solitei provided updates on the Agency's investment portfolio.

4. Investment Policy. Mr. Solitei pointed out that the investments needed to have four fundamental criteria: safety, liquidity, yield, and diversity. A few minor changes are

recommended to diversify the portfolio. Staff recommended to increase Federal Agency Bonds & Notes securities holding to 100% of the portfolio from 40% and for Medium Term Corporate Notes, reduce maximum issuer exposure to no more than 5% of the portfolio shall be invested in any single issuer. Director Quigley asked if the policy presented would be the one that would be given to HighMark Capital Management. Mr. Solitei answered yes and that the policy is renewed annually.

Director Ramirez Holmes requested an update on the wholesale water rate study and how would the agency inform the public that the new rates would be rolling out. Mr. Solitei responded that there was a meeting with the retailers the morning of Thursday, May 3, 2018. A series of meetings with the public are planned for August through October 2018. Director Ramirez Holmes requested that rate information be made available to the public at each meeting to allow ample time and information prior to voting. Director Stevens asked when would the new rates have to be accepted. Mr. Solitei stated in October 2018.

Director Quigley asked if there were any public comments. Ms. Linda Kelly asked how to find information on the Zone 7 webpage regarding the water rate meetings. Mr. Solitei stated that a post card will be mailed to businesses and residents, eNewsletters and place local newspaper Ads. This is similar to the last wholesale water rate study. Director Ramirez Holmes stated that it will be in the newspaper and Director Stevens and Director Ramirez Homes both requested that a calendar of all meetings for Zone 7 be added to the website. Dennis Gambs, member of the public agreed that a schedule on the website would be helpful.

4. Verbal Reports - None.

5. Adjournment - Director Quigley adjourned the meeting at 2:25 p.m.