

FINANCE COMMITTEE MEETING
SUMMARY MINUTES
March 17, 2020
3:30 P.M.

ATTENDANCE

Directors: John Weed (Chair), Aziz Akbari
Staff: Jonathan Wunderlich, Mariana Grajeda, Sydney Oam, Martin Koran
Consultant: Kevin Watts – MacLeod Watts, Inc.

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DISCUSSION TOPICS

1. Other Post-employment Benefits Actuarial Valuation: Kevin Watts, from MacLeod Watts, Inc., reviewed the results of the recently completed June 30, 2019 actuarial valuation of the District's other post-employment benefits (OPEB) program. The valuation is based on a 6.75% discount rate pre-funded in the California Employers' Retiree Benefit Trust (CERBT) with Asset Allocation Strategy 1. The valuation also provides the target funding contributions based on a more conservative discount rate of 6.5% that allows the District's trust to be fully funded by June 30, 2032. The District has committed to making regular contributions to the trust in order to prefund plan benefits, and the valuation provides two types of contributions – actuarial determined contributions (ADC) and target funding contributions. As of June 30, 2019, the actuarial accrued liability is \$59.1 million, market value of assets is \$30.8 million, unfunded actuarial accrued liability (UAAL) is \$28.3 million, and the District's trust is 52.1% funded. The UAAL has dropped by \$3.1 million from June 2017 to June 2019 due to a combination of assumption changes and plan experience, including the discount rate changes, updated demographic and mortality projection, actual dependent coverage for current retirees, and overall lower than expected healthcare premium rates. Mr. Watts responded to questions from the Committee.

2. Income & Budget Statements: Mariana Grajeda, Accounting & Treasury Manager, reviewed the income statement through February 2020. Water sales were up by \$3,003,000 compared to prior year-to-date actuals through February 2019 primarily due to the full year impact of the 4% rate increase effective March 2019. Water purchases were higher by \$2,396,000 primarily due to an increase in the fixed transportation component of the State Water Project water supply costs and an increase in San Francisco Water purchases compared to the same point in the prior fiscal year. Overall the District's net position has increased by \$23,765,000 this fiscal year through February 2020. Sydney Oam, Supervising Financial Analyst, reviewed the budget statement and reserve funds through February 2020. The budget report reflected that the District collected 69.0% of budgeted revenue and spent 59.7% of budgeted expenses. Water revenues were at \$79,209,000 or 70.9% of budget. The total Facilities Connection Charges revenues were at \$8,864,000 or 178.1% of budget due to higher than normal development activity in the service area. The District continues to maintain reserve levels compliant with Board policy targets. Ms. Grajeda and Mr. Oam responded to questions from the Committee.

3. Moody's Investors Service Credit Rating Review: Martin Koran, Senior Financial Analyst, reviewed the annual surveillance of the District's credit position conducted by Moody's Investors Service that resulted in the District maintaining its Aa1 rating. This is an annual review by Moody's, and when they did the review in 2019 the District requested and received a rating upgrade from Aa2 to Aa1. Moody's found the District's credit position remains very high quality due to the District's very large system size, prosperous service area, healthy debt coverage, ample liquidity, and modest debt profile. The District's cash on hand is 681 days, and the debt coverage ratio is 7.5x, which increased significantly from 2015 to 2019. The District's Aa1 rating is stronger than the median rating of Aa3 for US water systems. Like other water systems in California the District faces challenges that include potential droughts affecting water supplies and aging infrastructure that is susceptible to environmental risks such as earthquake and rising sea level. Mr. Koran responded to questions from the Committee.
4. Public Comments: There were no public comments.

RECOMMENDATIONS

Topics discussed by the Committee were informational only, and no recommendations are being made.