

**FINANCE COMMITTEE MEETING  
SUMMARY MINUTES  
April 21, 2020  
3:30 P.M.**

**ATTENDANCE**

Directors: John Weed (Chair), Aziz Akbari, Paul Sethy (Observer) MB  
Staff: Robert Shaver, Jonathan Wunderlich, Jennifer Solito, Mariana Grajeda, Sydney Oam, Martin Koran, Garth Kimball

*The monthly Finance Committee Meeting was held on April 21, 2020 at 3:30 PM. Due to COVID-19 and in accordance with Governor Newsom's Executive Order N-25-20 which suspends portions of the Brown Act, this meeting was conducted by Zoom Webinar and Teleconference and members of the public were invited to participate.*

**DISCUSSION TOPICS**

1. Creation and Addition of New Business Analyst 1/2 Classification and Salary: Garth Kimball, Human Resources Analyst, reviewed the request to create a new Business Analyst 1/2 classification to support the upcoming Advanced Metering Infrastructure (AMI) project. The position will be responsible for the acquisition, compilation and analysis of data, project management, report preparation, and providing support of the District's utility billing and customer service program. Given the lack of external comparable agency match classification to establish a market benchmark, Human Resources reviewed other similarly situated District classifications to evaluate for internal comparison and equity. The District's entry and journey analytical level classifications are typically placed in the salary ranges of 099 to 152, depending on experience, scope, level of responsibility and impact, and skills and abilities required. Staff recommends the Business Analyst 1 be placed at salary range 122 (\$99,000 to \$120,000), and Business Analyst 2 be placed at salary range 152 (\$115,000 to \$140,000). Filling this position will be contingent on the approval of the AMI project by the Board and the new position will be added to the personnel allocation budget and salary schedule during the upcoming budget workshop in May 2020. Mr. Kimball responded to questions from the Committee.
  
2. Overview of Deferred Compensation and Retiree Health Savings Account Plans: Jennifer Solito, Human Resources and Risk Manager, provided an overview of the District's Deferred Compensation and Retiree Health Savings Account Plan and Committee. The Deferred Compensation Committee and the Retiree Health Savings Account Committee oversee the administration and management of the deferred compensation defined contribution retirement plans and retire savings account plan. The committee acts as the fiduciaries for the plans, and assures that the third-party plan administrator and record keeper, ICMA-RC, is meeting the District's service-related requirements, selects the core investment options that are made available for plan participants, evaluates participant education, and performs other oversight and administrative functions associated with the plans. The committee's responsibilities include selecting investment design features of the Plans, establishing and maintaining investment policies, and monitoring plan costs. Both committees are comprised of the same individuals and meet quarterly. Committee members include the General Manager, Manager

of Finance, Human Resources and Risk Manager, Supervising Financial Analyst, and Human Resources Analyst. The District has a contract with the Hyas Group, a third party advisor and shared fiduciary, to assist in carrying out the duties and responsibility of the investment policy. Ms. Solito provided an update from the March 19, 2020 quarterly committee meeting that include the number and type of funds available for participants to choose from, the number of participants and current value in each plan, district contributions, and administrative and investment costs. Human Resources plans to do annual update of the status of both benefit plans and committee process. Ms. Solito responded to questions from the Committee.

3. Draft Budget Overview: Sydney Oam, Supervising Financial Analyst, reviewed the preliminary draft FY 2020/21 Midcycle Budget. Overall, the District is trending slightly better than projected since budget adoption in June 2019. The District ended FY 2018/19 at a \$9.4 million higher cash balance than budgeted, resulting in higher balance at the beginning of FY 2019/20. The overall estimated year-end expenses for FY 2019/20 is lower than the FY 2019/20 Adopted Budget mainly due the timing of capital project expenditures. The FY 2020/21 amended budget assumes higher water purchase costs, savings in pension and retiree health costs per the actuarial valuation, higher forecasted water demand, and higher water revenues due to projected higher water demand. The budget includes two new positions – a Business Analyst position for the Advanced Metering Infrastructure (AMI) project, and a Water Conservation Specialist for the conservation program. There are significant uncertainties involving potential COVID-19 revenue impacts and required future pension and retiree health contributions given the current environment and market conditions. The water demand forecast is still being evaluated, and the District’s capital improvement program (CIP) includes an aggressive spending plan in FY 2021/21.
4. Income & Budget Statements: Mariana Grajeda, Accounting & Treasury Manager, reviewed the income statement through March 2020. Revenue from water sales was up by \$4,111,000 compared to prior year-to-date actuals through March 2019 primarily due to the full year impact of the 4% rate increase effective March 1, 2019. Water purchases were higher by \$2,852,000 mainly due to minimum transportation true-up applied in calendar year 2019 for State Water Project water 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 \$27,485,000 this fiscal year through March 2020. Mr. Oam reviewed the budget statement and reserve funds through March 2020. The budget report reflected that the District collected 79.5% of budgeted revenue and spent 65.7% of budgeted expenses. Water revenues were at \$85,253,000 or 79.0% of budget. The total Facilities Connection Charges revenues were at \$9,783,000 or 196.6% 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.
5. CalPERS Update: Ms. Grajeda reviewed an update on the plan and what measures have been taken by CalPERS to address the current market volatility. CalPERS leaders conducted a webinar on April 8, 2020 for employers discussing the impact of the COVID-19 pandemic on CalPERS investments, employer contributions, and payment options. The current estimated investment return as of March 31, 2020 is negative 4%. Ultimately, CalPERS member agencies will be required to make up the losses. Beginning with the June 30, 2019 valuation,

the investment gains/losses are amortized over a 20-year period, rather than a 30-year prior to 2019, with phased-in of annual amortization amount over a 5-year period. Any current year losses will impact the District's contributions starting in FY 2022/23, but the advanced payments the District has made will mitigate that impact. Some of the changes CalPERS previously made to the investment policy that mitigate the long-term impact of current losses include gradually reducing the discount rate from 7.50% to 7.00% and reducing the amortization period of investment losses incurred after FY 2018/19 from 30 years to 20 years. There is a pension outlook tool which lets users create different scenarios to determine the impact of changes in discount rate, investment return, etc. Staff plans to do a simulation to include scenarios similar to what happened during the market downturn in 2008 and present that to the Finance Committee at a future date. Ms. Grajeda responded to questions from the Committee.

6. Public Comments: There were no public comments.

### **RECOMMENDATIONS**

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