

**FINANCE COMMITTEE MEETING
SUMMARY MINUTES
May 19, 2020
3:30 P.M.**

ATTENDANCE

Directors: John Weed (Chair), Aziz Akbari, Paul Sethy (Observer)

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Staff: Robert Shaver, Jonathan Wunderlich, Mariana Grajeda, Katrina Bates, Sydney Oam, Martin Koran

The monthly Finance Committee Meeting was held on May 19, 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. Income & Budget Statements: Mariana Grajeda, Accounting and Treasury Manager, reviewed the income statement through April 2020. Revenue from water sales was up by \$4,830,000 compared to prior year-to-date actuals through April 2019, primarily due to the full year impact of the 4% rate increase effective March 1, 2019 and an increase in water consumption during the fiscal year. Water purchases were higher by \$5,611,000 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 \$28,664,000 this fiscal year through April 2020. Sydney Oam, Supervising Financial Analyst, reviewed the budget statement and reserve funds through April 2020. The budget report reflected that the District collected 87.7% of budgeted revenue and spent 73.2% of budgeted expenses. Water revenues were at \$96,283,000 or 86.2% of budget. The total Facilities Connection Charges revenues were at \$10,320,000 or 207.3% 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.

2. Accounts Receivable Aging Report: Katrina Bates, Customer Services and Systems Manager, reviewed the water revenue aging report and highlighted the trend in past due balances from May 2019 to April 2020. The District typically has approximately \$300,000 in past due balances, but most past due amounts are paid as customers progress through collection points. On average, over 90% of billed amounts are current and about one-third of all billed amounts are billed and paid in the same month. A total of \$170,000 of past due balances was written off in Fiscal Year 2018/19. The past due balances are expected to increase due to the economic hardship experienced by customers as a result of the COVID-19 pandemic and District action to cease water service termination for non-payment during the pandemic. Ms. Bates responded to questions from the Committee.

3. Reserve Policy Update: Mr. Oam reviewed the Statement of Reserve Fund Policy (Reserve Policy) which establishes the District’s various restricted and designated reserves, funding targets, and usage authorizations. The Reserve Policy is reviewed by the Board of Directors on an annual basis in conjunction with either the two-year budget adoption or mid-cycle budget update. Staff proposed one update to the Rate Stabilization Reserve to clarify that variable water sales is defined as “the difference in revenue that would result from using the lowest water usage year versus the most recent year or a typical year based on current commodity rates.” The proposed change does not alter the methodology used to determine the reserve amount. No changes are proposed to the Debt Service Reserve, Facilities Improvement Fund Reserve, Installer’s Reimbursement Fund Reserve, Management Retirement Bonus Reserve, Operations and Maintenance (O&M) Reserve, Capital Reserve, or Emergency Reserve. The updated Reserve Policy is scheduled to be reviewed at the June 11, 2020 Board of Directors meeting. Mr. Oam 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.