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

ATTENDANCE

Directors: John Weed (Chair), Aziz Akbari
Staff: Robert Shaver, Jonathan Wunderlich, Mariana Grajeda, Katrina Bates, Sydney Oam

The monthly Finance Committee Meeting was held on July 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. Water Revenue Aging Report: Katrina Bates, Customer Services and Systems Manager, reviewed the water revenue aging report and highlighted the trend in past due balances through June 2020. On average, the District has about $300,000 in past due balances. Since the COVID-19 pandemic, the average past due balances have been about $750,000. There was an increase of approximately $100,000 in past due balances in the month of June 2020. Ms. Bates responded to questions from the Committee.

2. Budget Statement: Sydney Oam, Supervising Financial Analyst, reviewed the preliminary budget statement and reserve funds through June 2020. The budget report reflected that the District collected 104.8% of budgeted revenue and spent 86.2% of budgeted expenses. Water revenues were at $113,751,000 or 101.8% of budget. The total Facilities Connection Charges revenues were at $14,451,000 or 290.4% of budget due to higher than normal development activity in the service area that has continued thus far despite the COVID-19 pandemic. The District continues to maintain reserve levels compliant with Board policy targets. Mr. Oam responded to questions from the Committee.

3. CalPERS Investment Policy: Mariana Grajeda, Accounting and Treasury Manager, reviewed the new investment strategy that was approved by the CalPERS Board on June 15, 2020. The new strategy is part of a plan to help CalPERS to achieve the target 7% rate of return. Some aspects of the plan have already been implemented which include lowering the discount rate and shortening the amortization schedule. With the new plan, CalPERS is authorized to borrow up to 20% of the current value of the fund and use that money to invest in asset classes expected to provide a higher rate of return to increase the likelihood of meeting the 7% target. CalPERS plans to: 1) increase its asset allocation on private equity from the current 8% to 12% over the next 3 years; and 2) add private lending which includes providing loans to privately owned companies and venture capital firms, among others. The initial plan is to allocate between 4% to 8% of the fund to this new asset class. While this approach increases the odds of meeting the 7% rate of return target, CalPERS acknowledges that this approach also increases the risk of investment losses. CalPERS is under pressure from many of its member agencies to take risks to increase investment earnings to limit employer contributions. Staff is

concerned about the risks associated with the new strategy because they could also lead to higher employer contributions to recover losses and plans to send a formal letter to CalPERS expressing the concern. The Committee provided feedback to staff and supported staff's consideration of sending the letter to CalPERS. Ms. Grajeda 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.