

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
REGULAR FINANCE & ADMINISTRATION COMMITTEE
MEETING MINUTES FOR
July 1, 2019

The Finance & Administration Committee of the San Luis & Delta-Mendota Water Authority convened at approximately 12:00 p.m. for a regular meeting, with Chairman Rick Gilmore presiding.

Members and Alternate Members in Attendance

Ex Officio

Cannon Michael

Division 1

Rick Gilmore, Member - Anthea Hansen, Alternate

Division 2

Bobbie Ormonde, Alternate (via teleconference, not counted towards quorum or for any vote)

Division 3

Absent

Division 4

Sara Singleton, Member

Division 5

Steve Stadler, Alternate for Bill Pucheu

Friant Water Authority

Jason Phillips, Member

Board of Directors Present

Division 1

Anthea Hansen, Director

Rick Gilmore, Director

Division 2

Absent

Division 3

Cannon Michael, Director

Division 4

Sara Singleton, Alternate

Division 5

Steve Stadler, Director

Authority Representatives Present

Federico Barajas, Executive Director

Frances Mizuno, Assistant Executive Director

Diane Rathmann, Legal Counsel

Joyce Machado, Director of Finance
Melody Hernandez, Accounting Tech I
Scott Petersen, Water Policy Director
Lauren Neves, Accountant III

Others in Attendance

Don Willard, Friant Water Authority (via Teleconference)
Bill Patterson, Sampson, Sampson, & Patterson

1. Call to Order

Chair and Member Rick Gilmore called the meeting to order.

2. Pledge of Allegiance

The Pledge of Allegiance was recited.

3. Additions or Corrections to the Agenda

There were no additions or corrections.

4. Opportunity for Public Comment

There was no public comment.

ACTION ITEMS

5. Finance & Administration Committee to Consider Approval of the June 3, 2019, and June 25, 2019 Meeting Minutes.

Member Anthea Hansen asked for clarification on the trade-in of the motor graders discussed in Action Item #6 and also on the transfer of ownership of transmission capacity to Reclamation mentioned in Report Item #9 regarding the San Luis Transmission Project. Upon receiving a response to the questions, Member Jason Phillips made the motion to approve the June 3, 2019, and June 25, 2019 meeting minutes with minor edits. The motion was seconded by Ex Officio Member Cannon Michael and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, Singleton, Stadler, Phillips

NOES: None

ABSTENTIONS: None

6. Finance & Administration Committee to Consider Recommendation to the Board of Directors to Approve WY 19 Recalculated O&M Rates.

Assistant Executive Director Frances Mizuno reminded the Committee that the Board had previously adopted WY19 rates based on a 50% Ag Service allocation with the intent of revising the rates when the final allocation was announced with the new rates applied retroactively to March. Mizuno stated that once Reclamation announced the increase to a 70% allocation, staff re-surveyed districts for their estimated deliveries through the federal facilities. Mizuno added that shortly after, Reclamation announced an increase in allocation to 75%. Rather than conduct another survey, Mizuno stated that she contacted the larger districts and most indicated the estimated deliveries would not change with the exception of Westlands Water District, which reported an additional 50,000 acre feet that was included in the recalculation of the rates. Mizuno then asked the Committee to refer to the attachment in their packet for a comparison of the estimated acre feet deliveries and cost. Mizuno noted that all costs remained the same from prior calculations except for the cost included in the EO&M reserves, which now includes an additional \$200,000. This additional \$200,000 represents a portion of the replenishment to the emergency reserves fund, as a result of funding from the emergency reserves for the Unit 6 Rewind as required per the Repayment Contract with Reclamation. In addition, Mizuno explained that the Transfer Agreement requires funds that are withdrawn from the emergency reserve fund to be replaced in the reserve fund within five years of withdrawal. Mizuno then asked the Committee to refer to page 2 of their attachment for the proposed WY19 rates by delivery area and page 3 for additional detail for each rate component's total cost and acre feet delivery. Mizuno and Executive Director Federico Barajas answered a question from Member Jason Phillips regarding the requirement to replenish the emergency reserve fund, and Director of Finance Joyce Machado answered a question from Member Anthea Hansen regarding Reclamation's calculation of the estimated PUE costs. Member Sara Singleton made the motion to recommend the Board of Directors approve the WY19 recalculated O&M rates as presented. The motion was seconded by Member Jason Phillips and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, Singleton, Stadler, Phillips

NOES: None

ABSTENTIONS: None

7. Finance & Administration Committee to Consider Recommendation to the Board of Directors to Approve the FY16 Audited Financial Statements.

Bill Patterson of Sampson, Sampson & Patterson, LLP presented the FY16 audited financial statements. Patterson stated that there was a change in the method of accounting for this fiscal year

from a modified accrual basis to a full accrual basis. This change was a decision made by management to streamline the process and to condense and make the financial statements easier to understand. Mr. Patterson reviewed the draft FY16 audited financial statements in detail. Chair and Member Rick Gilmore noted a typo error on Note G on page 16. Alternate Steve Stadler made the motion to recommend the Board of Directors approve the FY16 Audited Financial Statements. The motion was seconded by Member Sara Singleton and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, Singleton, Stadler, Phillips

NOES: None

ABSTENTIONS: None

REPORT ITEMS

8. Water Infrastructure Finance and Innovation Act (WIFIA) Letter of Interest Submittal

Assistant Executive Director Frances Mizuno stated that the Letter of Interest for WIFIA funding would be submitted by noon the following day. Mizuno noted that the proposal is for funding for all six units at the Jones Pumping Plant including the first two units that already have funding in place. Mizuno stated that staff should know by October 2019 if the Authority will be invited to submit an application for WIFIA funding. The funding proposal does include the need for additional Reclamation funding. Executive Director Federico Barajas asked the Committee to refer to the two letters at the end of their packet, one to Reclamation and one from Reclamation regarding the renewal of the O&M Transfer Agreement for a minimum of 30 years. Barajas noted that in preparation of the Letter of Interest for WIFIA funding, staff needed to begin the process of negotiating the renewal of the contract for the O&M Transfer Agreement with Reclamation. Mizuno added that this is necessary as the Transfer Agreement is the means for the Authority to collect O&M rates as revenue for the WIFIA loan repayment. Barajas added that the response letter from Reclamation indicated their commitment to work with the Authority to renew the agreement for thirty years by the end of 2019.

9. FY19 Activities Budget to Actual through 5/31/19.

Director of Finance Joyce Machado reported on the Budget to Actual Comparison Summary for March 1, 2019 through May 31, 2019 for the member funded activities. Machado stated that for the three-month period, the budget was trending positive with overall spending

through May 31, 2019 at 14.51% of the approved budget.

10. Executive Director's Report

Executive Director Federico Barajas updated the Committee on the change to the time schedule for July 11, 2019 Board meeting to include site visits of the San Luis and Pacheco Reservoirs.

Executive Director Federico Barajas reported to the Committee that there would be a vacancy announcement coming out soon for Assistant Executive Director Frances Mizuno's replacement. Barajas noted that his hope is to make a selection in August 2019 to allow sufficient time for transition and overlap before Mizuno's retirement in late March, 2020.

Executive Director Federico Barajas provided a status update on the DMC Subsidence Project. Barajas stated that Reclamation has been leading the effort and found funding within Reclamation to pay for the project. Barajas noted that Reclamation would be providing the Authority with a cost estimate to use as a place holder that will be available at the next meeting.

Executive Director Federico Barajas stated that the completed Strategic Plan will be presented to the Board at the July 11, 2019 meeting.

11. Reports Pursuant to Government Code Sec 54954.2

No report given.

12. Adjournment.

The meeting was adjourned at approximately 1:05 p.m.