

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
TELEPHONIC FINANCE & ADMINISTRATION COMMITTEE REGULAR MEETING
AND
JOINT TELEPHONIC FINANCE & ADMINISTRATION COMMITTEE REGULAR
MEETING / SPECIAL BOARD WORKSHOP
MINUTES FOR November 2, 2020

The Finance & Administration Committee of the San Luis & Delta-Mendota Water Authority convened at approximately 12:00 p.m. This meeting was held via teleconference/ZOOM in accordance with the Governor's Executive Order (N-29-20) and the declared State of Emergency as a result of the threat of COVID-19, with Chair Rick Gilmore presiding.

Members and Alternate Members in Attendance

Ex Officio

Cannon Michael
William Bourdeau

Division 1

Rick Gilmore, Member - Anthea Hansen, Alternate

Division 2

Bobbie Ormonde, Member

Division 3

Chris White, Member - Jarrett Martin, Alternate

Division 4

Dana Jacobson, Alternate for Sara Singleton

Division 5

Bill Pucheu, Member

Friant Water Authority

Jason Phillips, Member (arrived during item 6)

Board of Directors Present

Division 1

Anthea Hansen, Director
Rick Gilmore, Director

Division 2

William Bourdeau, Director

Division 3

Cannon Michael, Director

Division 4

Absent

Division 5

Bill Pucheu, Director

Tom Birmingham, Director

Authority Representatives Present

Federico Barajas, Executive Director
Rebecca Akroyd, General Counsel
Pablo Arroyave, Chief Operating Officer
Scott Petersen, Water Policy Director
Joyce Machado, Director of Finance
Bob Martin, Facilities O&M Director
Paul Stearns, Operations & Maintenance Manager
Stewart Davis, IT Officer

Others in Attendance

Brian Nash, Richardson & Company, LLP

1. Call to Order/Roll Call

Chair and Member Rick Gilmore called the meeting to order at approximately 12:00 p.m.

2. Additions or Corrections to the Agenda

There were no additions or corrections.

3. Opportunity for Public Comment

There was no public comment.

4. Finance & Administration Committee to Consider Approval of the October 5, 2020 Meeting Minutes.

Chair Rick Gilmore pronounced the October 5, 2020 meeting minutes approved.

5. Finance & Administration Committee to Consider Recommendation to Board of Directors to Accept the Treasurer's Report for the Quarter Ending September 30, 2020.

Director of Finance Joyce Machado presented the Treasurer's Report for the quarter ending 9/30/20. Operational cash totaled \$51,840,163.90 while DHCCP cash totaled \$4,094,453.89. Member Bill Pucheu made the motion to recommend to the Board to adopt the Treasurer's Report for the Quarter Ending September 30, 2020. The motion was seconded by Member Chris White and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Bourdeau, Gilmore, Ormonde, White, Jacobson, Pucheu,

NOES: None

ABSTENTIONS: None

6. Finance & Administration Committee to Consider Recommendation to Board of Directors to Accept the Final Fiscal Year (FY) 2020 Audited Financial Statements.

Auditor Brian Nash of Richardson and Company, LLP presented the FY20 audited financial statements. Mr. Nash explained that a change in reporting was made from the FY19 audit allowing all agency funds to be rolled into one Enterprise fund. He continued on to review the FY20 audited financial statements in detail. Nash noted that a significant increase in accounts receivable was mainly due to the grants receivable and the \$1.5 million credit from the PUE true-up. He also noted that FY20 was the first year revenue was being collected for unit 2 of the Jones Pumping Plant rewind project, and the full amount for the USBR Unit 6 loan was recorded as a loan payable. Lastly, a new footnote was added to separate O&M expenses for bond counsel. Nash concluded his presentation by reviewing the Management Letter with suggestions for the Authority. Member Bill Pucheu made the motion to recommend the Board of Directors accept FY20 Audited Financial Statements. The motion was seconded by Ex Officio Member Cannon Michael and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Bourdeau, Gilmore, Ormonde, White, Jacobson, Pucheu, Phillips

NOES: None

ABSTENTIONS: None

7. Finance & Administration Committee to Consider Recommendation to Board of Directors Regarding Jones Pumping Plant Unit Rewind Project Financing Options:

- a. **Action to Authorize the Executive Director to Execute a Funding Agreement for Jones Pumping Plant Unit Rewind Project with the Friant Water Authority**
- b. **Resolution Authorizing the Preparation and Distribution of a Preliminary Official Statement with Respect to Revenue Bonds to Finance a Portion of the Extraordinary Maintenance to the Jones Pumping Plant, Authorizing the Execution of Certain Documents, and Authorizing Certain Other Actions in Connection Therewith**
- c. **Action to Self-Fund the 4th and 5th Units of the Jones Pumping Plant Unit Rewind Project By Including a Reserve Component Rate for the Unit Rewinds in FY22 and FY23 O&M Rates**

Executive Director Federico Barajas began the discussion by providing a brief background of the Jones Pumping Plant Unit Rewind Project funding efforts. In September, the Board authorized the Authority to pursue public offerings not to exceed \$15 million, however, if the Authority agrees to enter into a funding agreement with Friant Water Authority, the Authority will only need to seek financing of \$7.4 million. Barajas then turned it over to Chief Operating

Officer Pablo Arroyave to go over the staff memo and next steps with the Committee.

Bond Counsel Doug Brown then reviewed the draft resolution and Preliminary Official Statement (POS). The resolution authorizes preparation and distribution of the POS, which is the final offering document used by the underwriter to offer to bond owners. The POS includes a description of the Jones Pumping Plant, the Authority, the bond, and bond insurance.

General Counsel Rebecca Akroyd next reviewed the draft funding agreement with Friant Water Authority.

Committee members and Board members asked several questions regarding the POS and the proposed funding agreement with Friant Water Authority. After substantial discussion, Ex Officio Member William Bourdeau made the motion to recommend to the Board authorization to execute a funding agreement with Friant Water Authority regarding the Jones Pumping Plant Unit Rewind Project. The motion was seconded by Member Jason Phillips and passed unanimously. The Committee deferred action on Item 7.b and 7.c. The Committee action on Item 7.a is reported as follows:

AYES:	Michael, Bourdeau, Gilmore, Ormonde, White, Jacobson, Pucheu, Phillips
NOES:	None
ABSTENTIONS:	None

8. Finance & Administration Committee to Consider Recommendation to Board of Directors to Adopt Resolution Updating Banking Relationship with and Signature Requirements for Central Valley Community Bank and Superseding Resolution Nos. 2009-293, 2017-415, and 2020-455.

Chief Operating Officer Pablo Arroyave presented the proposed resolution. Arroyave noted that banking and visa limits have not been updated since 2009 and since then the Authority has doubled its number of employees and its budget. The result of this is that the Authority is unable to process all of its payroll related activities in one day and cannot increase Visa limits or add a new card unless another card decreases its limit or is cancelled. Staff is asking for the Committee to recommend adoption of the resolution by the Board to increase the ACH limit from \$250,000 to \$500,000 and raise the Visa limit from \$75,000 to \$125,000. General Counsel Rebecca Akroyd then reviewed the draft Resolution. Member Bill Pucheu made the motion to recommend the Board of Directors to adopt the Resolution updating the banking relationship and signature requirements with CVCB. The motion was seconded by Alternate Dana Jacobson. The Committee action is reported as follows:

AYES:	Michael, Bourdeau, Gilmore, Ormonde, White, Jacobson, Pucheu, Phillips
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NOES: None

ABSTENTIONS: None

9. Finance & Administration Committee to Consider the Operations and Maintenance (O&M) Technical Committee Recommendation to Approve the FY 22 O&M Budget, and Recommendation to Board of Directors Regarding Same.

Chief Operating Officer Pablo Arroyave presented the proposed fiscal year 2022 O&M budget. He stated there was a workshop with the O&M Technical Committee on October 19th where the Committee recommended to the FAC that the FY22 O&M budget be approved as presented. Arroyave noted that with the new transfer agreement, the Authority only has to provide a budget for one year at a time rather than the previous two-year requirement. He continued to review the memo stating as part of the Strategic Plan there were several new positions added in FY21 and staff thought it best to wait a year to see how these new positions work before making additional changes. Therefore, staff is only budgeting one new position for an engineering technician in FY22. He also noted minor changes to budget units that only affect the Authority internally.

Overall the FY22 proposed budget decreased 3.36% from the fiscal year 2021 O&M budget. This decrease is mainly due to the payroll schedule having one less pay period in FY22, and that this budget also includes a 3% salary increase placeholder. Arroyave explained that the budget recommended by the Committee was budgeted with \$1.5 million labor costs in EO&M when the Authority was pursuing WIFIA funding, but now that the Authority is pursuing public bond financing, the \$1.5 million labor will be split between EO&M and RO&M. Arroyave then asked Director of Finance Joyce Machado to walk through the rates calculation based on this proposed budget. Alternate Dana Jacobson made the motion to consider the FY22 O&M budget for a 30-day review. The motion was seconded by Ex Officio Member William Bourdeau and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Bourdeau, Gilmore, Ormonde, White, Jacobson, Pucheu,
Phillips

NOES: None

ABSTENTIONS: None

REPORT ITEMS

10. FY21 Activity Agreements Budget to Actual Report through 9/30/20.

Director of Finance Joyce Machado reported on the Budget to Actual Comparison Summary for March 1, 2020 through September 30, 2020 for the member-funded activities. Machado stated that for the seven-month period, the budget was trending positive with overall spending through September 30, 2020 at 43.05% of the approved budget.

11. FY21 O&M Budget to Actual Report through 9/30/20.

Director of Finance Joyce Machado reported to the Committee that for WY20 the self-funded routine O&M expenses through September 30, 2020 were under budget by \$3,044,854, and this is the result of minimal intertie DWR conveyance costs through the DWR quarter ending June 2020. What remains outstanding for WY19 is the final accountings with the goal to finalize this by February 2021. Staff plans to distribute WY18 final accountings soon and the Intertie O&M cost recovery remains outstanding.

12. Procurement Activity Report.

Director of Finance Joyce Machado presented the October 2020 procurement activity report. On October 20, 2020 the Authority executed a contract with ABB Enterprise Inc. for hot oil reconditioning of three O'Neill Pumping Plant transformers. The contract amount was for \$68,900 and the funding source was from the EO&M approved budget.

On October 27th the Authority executed an equipment contract from McCrometer Inc. for flowmeters. The contract amount was \$241,760 and is funded through the EO&M approved budget. Also on October 27th, the Authority signed a professional services agreement with Provost & Pritchard Consulting Group for the well census and inventory for the Northern and Central regions of the Delta-Mendota Subbasin. The contract amount was \$91,000 and the funding source is the SGMA Activity Agreement.

13. Discussion regarding Development of O&M and Capital Improvement Financing Policy.

Executive Director Federico Barajas presented a plan for the development of an O&M and Capital Improvement Financing Policy. He explained that General Counsel Rebecca Akroyd reviewed the Debt Management Policy that passed in March 2019, which outlined procedures for any bonds, notes, or financial obligations. This policy includes certain provisions which are applicable to the issue at hand and is in need of some refinements. Staff will be going back and identifying key components of the Debt Management policy to include definitions for items that may need clarification, and further explain how to incorporate capital projects and other financing projects.

14. Discussion Regarding Delta-Mendota Canal/California Aqueduct Intertie Cost Allocation.

Executive Director Federico Barajas provided a status update for the Intertie Cost Allocation. He spoke with Reclamation regarding repayment of the two new pumps at the Intertie. The initial indication is that Reclamation is planning to take the same approach as they did in the construction of the Intertie project.

15. Executive Director's Report.

Executive Director Federico Barajas provided a brief update in regards to Executive Directors In Brief Newsletter that was recently launched. He explained that he plans to use as a way to keep members informed on any current issues and provide real time updates between Board meetings.

16. Committee Member Reports.

Member Jason Phillips announced to the committee that Don Willard will be leaving Friant Water Authority beginning 2021 and will be hiring a new Chief Financial Officer.

17. Reports Pursuant to Government Code Sec 54954.2

No reports given.

18. Agenda Item 13: Adjournment.

The meeting was adjourned at approximately 1:54 p.m.