

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
June 14, 2018 @ 8:00 a.m.

Director Dewane called the Administration and Finance Issues Committee to order in Conference Room C-2 in Fountain Valley, CA. The Assistant District Secretary called the roll and reported a quorum of the Committee as follows.

Committee Members

Shawn Dewane
Bruce Whitaker
Roger Yoh
Dina Nguyen (absent)
Cathy Green

OCWD staff

Mike Markus - General Manager
Randy Fick - CFO/Treasurer
Christina Fuller - Assistant District Secretary

Alternates

Steve Sheldon
Philip Anthony (absent)
Vicente Sarmiento
James Vanderbilt (absent)
Denis Bilodeau

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Green, seconded by Director Whitaker and carried [5-0].

Yes- Dewane, Whitaker, Yoh, Green, Sheldon

1. Minutes of Previous Meeting

The minutes of the Administration/Finance Issues Committee meeting held April 12, 2018 were approved as presented.

2. Monthly Cash Control Report April 2018

Recommended by Committee for approval at June 20 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated April 30, 2018.

3. Monthly Cash Control Report May 2018

Recommended by Committee for approval at June 20 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated May 31, 2018.

4. Investment Portfolio Holdings Reports April 2018

Recommended by Committee for approval at June 20 Board meeting: Receive and File the Investment Portfolio Holdings Reports dated April 30, 2018.

5. Investment Portfolio Holdings Reports

Recommended by Committee for approval at June 20 Board meeting: Receive and File the Investment Portfolio Holdings Reports dated May 31, 2018.

6. Agreement to Lillestrand Leadership Consulting for Staff Leadership Development

Recommended by Committee for approval at June 20 Board meeting: Approve and authorize execution of Agreement to Lillestrand Leadership Consulting for an amount not to exceed \$31,975 for staff leadership development.

7. Pension Plan Audit Reports for OCWD 401(A) Money Purchase Plan and 457(b) Deferred Compensation Plan

Recommended by Committee for approval at June 20 Board meeting: 1) Receive and file the 401(a) Money Purchase Plan Audit Report prepared by White Nelson Diehl Evans, LLP for the period ending December 31, 2017; and 2) Receive and file the 457(b) Deferred Compensation Plan Audit Report prepared by White Nelson Diehl Evans, LLP for the period ending December 31, 2017.

MATTERS FOR CONSIDERATION

8. Agreed-Upon Procedures in Addition to the Annual Audit

CFO/ Treasurer Randy Fick recalled that at the pre-audit communication meeting in June 2017, the Audit Committee requested the District's auditor, White Nelson Diehl Evans, LLP provide additional agreed-upon procedure services to further assess the quality of the District's internal controls in purchasing, vendor contracts and executive staff compensation. White Nelson Diehl Evans, LLP representative Nitin Patel reported the additional procedures have been completed and stated that the District's processes are in accordance with policies and procedures but did have a recommendation to improve vendor contracts controls. He advised that staff agreed to the specific recommendation. Director Dewane requested that staff return to the Committee with recommendations on how to resolve the issue.

Upon motion by Director Whitaker, seconded by Director Yoh and carried [5-0], the Committee recommended that the Board at its June 20 Board meeting: Receive and file Agreed-Upon Procedures Report prepared by White Nelson Diehl Evans, LLP.

Yes- Dewane, Whitaker, Yoh, Green, Sheldon

9. Pre-Audit Meeting with Auditors for Compliance with Auditing Standards Board – Standard No. 114

Mr. Fick stated that Auditing Standards No.114 requires representative Board members to meet with the auditor prior to the start of the audit. He stated staff recommends that two or three interested Directors attend a separate pre-audit meeting with the auditors after the July 2018 Administration/Finance Issues Committee meeting. Directors Bilodeau, Dewane and Whitaker were selected.

Upon motion duly made, seconded and carried [5-0], the Committee recommended that the Board at its June 20 Board meeting: Select Directors Bilodeau, Dewane and Whitaker to attend a pre-audit meeting with the auditors after the July 2018 Administration/Finance Issues Committee meeting.

Yes- Dewane, Whitaker, Yoh, Green, Sheldon

10. Renewal of 2018-19 Tax And Revenue Anticipation Notes

Mr. Fick reminded the Committee that each fiscal year, the Tax and Revenue Anticipation Notes (TRANs) must be reauthorized and executed to support the District's commercial paper program. He advised that the District currently has a tax-exempt TRAN outstanding in the amount of \$30,000,000 and a taxable TRAN outstanding in the amount of \$40,000,000. Mr. Fick stated the Financing Corporation currently has a \$52.9 million outstanding balance on the commercial paper program (CPP). He reported that staff recommends TRANs in the amount of \$70 million for the fiscal year 2018-19. He advised that this is the maximum principal amount that can be issued and outstanding under the current letter of credit with Sumitomo Mitsui Banking Corporation.

Upon motion by Director Yoh, seconded by Director Whitaker and carried [5-0], the Committee recommended that the Board at its June 20 Board meeting: 1) Reauthorize execution of the Tax and Revenue Anticipation Notes (TRANs) in the aggregate amount of \$70 million which is an amount that does not exceed 85% of the District's estimated uncollected revenues from July 1, 2018 through June 30, 2019; and 2) Adopt resolution authorizing the execution and delivery of TRANs to support the existing OCWD commercial paper program.

Yes- Dewane, Whitaker, Yoh, Green, Sheldon

11. Budget To Actual Report for Third Quarter FY 2017-18

Accounting Manager Melissa Ochoa presented the Operations Budget to Actual report for the third quarter of FY 2017-18. She reported that the General Fund is approximately \$1.9 million under budget due primarily to lower costs for professional services in Safety & Risk Management, Water Quality and Planning & Watershed Management expenses, which is offset with water production costs that were more than planned; Debt Service is \$1.06 million less than budget due to lower than planned interest rates on variable rate debt; the Refurbishment and Replacement Fund items are tracking less than planned primarily due the delays of GWRS Pipe Lining and pending Navy license for the Sunset GAP monitoring wells; and the Water Purchases are \$7 million under budget. She reviewed the budget variances for the following departments; Risk and Safety, Water Quality, Planning and Watershed Management and Water Production. Ms. Ochoa reviewed the revenue budget to actual summary.

Upon motion by Director Yoh, seconded by Director Whitaker and carried [5-0], the Committee recommended that the Board at its June 20 Board meeting: Receive and file the Budget to Actual Report for Third Quarter of Fiscal Year 2017-18 ending March 31, 2018

INFORMATIONAL ITEMS

12. Possible Groundwater Producers Well Loan Program

Executive Director John Kennedy recalled that the District previously established a Conjunctive Use Well Loan Program in the late 1980's that loaned money to Groundwater Producers at an attractive interest rate to encourage the construction of additional wells. He stated the program was terminated in 1998 for budgetary reasons and that per committee request staff is looking into establishing a new loan program. Mr. Kennedy advised that wherever the BPP is established, OCWD wants all 19 Producers to be able to pump up to that BPP level and OCWD management goal is for all Producers to have the same water supply cost. He reviewed the cumulative estimated Capital Cost for 19 Producers to increase groundwater production and discussed issues to consider with establishing a new program.

He advised that if the Board is interested in establishing this program, that it be considered next winter during the preparation of the FY2019-20 budget.

13. Certificate Of Achievement for Excellence in Financial Reporting

Mr. Fick stated the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. Director Dewane congratulated staff on this achievement.

14. Monthly Cash Disbursements Report

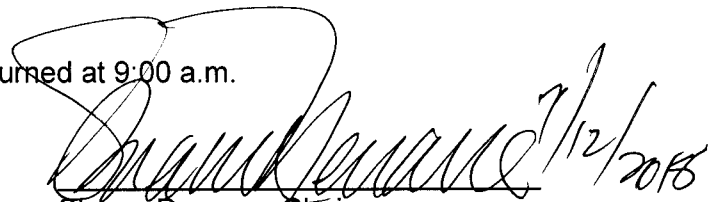
There was no verbal report on this item.

ITEMS TO BE AGENDIZED ON CONSENT CALENDAR AT THE JUNE 20 BOARD MEETING

It was agreed that Item Nos. 2-11 be agendized on the Consent Calendar at the June 20 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:00 a.m.


Shawn Dewane, Chair