

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
September 9, 2021, @ 8:00 a.m.

Due to the Governor's Executive Order N-25-20, Director Ta called the Administration and Finance Issues Committee to order via Zoom webinar. The Secretary called the roll and reported a quorum as follows:

Committee Members

Tri Ta
Roger Yoh
Dina Nguyen (arrived 8:15 a.m.)
Kelly Rowe
Nelida Mendoza (arrived 8:05 a.m.)

OCWD staff

Mike Markus – General Manager
Jeremy Jungreis – General Counsel
Randy Fick - CFO/Treasurer
Christina Fuller – Asst. District Secretary

Alternates

Bruce Whitaker (arrived 8:05 a.m.)
Cathy Green
Denis Bilodeau
Harry Sidhu
Steve Sheldon

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Yoh seconded by Director Rowe and carried [5-0-] as follows:

Ayes: Ta, Yoh, Rowe, Green, Bilodeau

1. Minutes of Previous Meeting

The minutes of the Administration/Finance Issues Committee meeting held August 12, 2021 were approved as presented.

2. Monthly Cash Control Report

Recommended by Committee for approval at September 15 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated August 31, 2021.

3. Investment Portfolio Holdings Reports

Recommended by Committee for approval at September 15 Board meeting: Receive and File the Investment Portfolio Holdings Reports dated August 31, 2021.

MATTERS FOR CONSIDERATION

4. Extension of Commercial Paper Letter of Credit and Replacement of Dealer

CFO/Treasurer Randy Fick recalled that the District currently has a Letter of Credit (LOC) and Reimbursement Agreement with Sumitomo Mitsui Banking Corporation for the District's commercial paper (CP) program of \$70,000,000. He stated the LOC was entered into with Sumitomo Mitsui Banking Corporation on November 16, 2015 with an amended expiration date of November 16, 2021. He advised that Sumitomo Mitsui Banking Corporation has made an offer to extend the current LOC at a rate of 32 basis points for five years from the expiration date of the existing LOC. Mr. Fick stated that Citibank is the CP dealer with a fee of 7.5 basis points. He reported that staff recommends replacing Citibank with J.P. Morgan at 3.25 basis points. He noted that J.P. Morgan has significant experience marketing and distributing commercial paper and most competitive fees.

**Upon motion by Director Rowe, seconded by Director Yoh, and carried [5-0], the Committee recommended that the Board at its September 15 Board meeting: 1) Approve District and Corporation resolutions approving the preparation and execution of documents necessary to extend the current Letter of Credit and Reimbursement Agreement with Sumitomo Mitsui Banking Corporation for the commercial paper program for a term of 5 years consistent with the offer provided by Sumitomo Mitsui Banking Corporation and authorize the General Manager to execute such documents including minor changes requested by rating agencies or other participants in the transaction; 2) Authorize resolutions also authorizing the preparation and execution of documents necessary to replace Citibank with J.P. Morgan as the CP dealer for the District's commercial paper program consistent with the term sheet provided, and 3) Authorize payment for costs of issuance not to exceed \$45,000.
Ayes - Ta, Yoh, Rowe, Mendoza, Whitaker**

5. Underwriting for Tax-Exempt Short-Term Obligations

Mr. Fick recalled that a \$130.6 million WIFIA loan at an interest rate of 1.84% was secured in August 2021 to partially fund the PFAS Treatment Facilities Project. He advised that based upon market conditions as of August 23, 2021, using the short-term obligations to fund a portion of the PFAS Treatment Facilities project rather than draw on the WIFIA Loan will reduce interest expense by about \$7.3 million with a net present value savings of approximately \$4.7 million. He stated that to move as quickly as possible to obtain advantageous tax-exempt funding to pay for the construction of a portion of the PFAS Treatment Facilities project, the District went through an RFP process for an underwriter with 6 responses received. He reported that staff recommends selecting J.P. Morgan for underwriting services to issue tax-exempt short-term obligations. He advised that J.P. Morgan has significant experience structuring and selling short-term obligations, an innovative Plan of Finance, and most competitive fees.

**Upon motion by Director Yoh, seconded by Director Rowe, and carried [5-0], the Committee recommended that the Board at its September 15 Board meeting: 1) Select J.P. Morgan for an amount not to exceed \$0.75 per \$1,000 bond for underwriting services to issue tax-exempt short-term obligations; 2) Authorize engaging Stradling, Yocca as Bond Counsel and Fieldman, Rolapp as Municipal Advisor; and 3) Authorize preparation of documents for future issuance of tax-exempt short-term obligations pending further action by the Board.
Ayes - Ta, Yoh, Nguyen, Rowe, Mendoza**

6. Ratio Analysis - FY 2020-2021

Mr. Fick presented the Ratio Analysis Report for FY 2020-21 advising that the District tracks three key performance metrics that provide a look into the Districts financial health, its ability to run its operation and pay its annual debt service payments. He stated that the Fitch leverage ratio measures the District's financial leverage calculated by dividing its total long-term debt less unrestricted cash by funds available for debt service. He reported the District's adjusted debt to funds available for debt service ratio for the Fiscal Year ending June 30, 2021, is 3.64. Mr. Fick stated that the days cash on hand indicates financial flexibility to pay near-term obligations with its unrestricted cash and investments and reported that the District's days cash on hand for the Fiscal Year ending June 30, 2021, is 1,183. He advised that debt coverage ratio measures the District's ability to pay debt payments from the income generated from the District's operating and non-operating activities. Mr. Fick stated that the Fitch 2021 debt coverage ratio median for AAA rated wholesale water and sewer agencies is 3.9.

**Upon motion by Director Yoh, seconded by Director Nguyen, and carried [5-0], the Committee recommended that the Board at its September 15 Board meeting: Receive and file the Ratio Analysis Report for FY 2020-21.
Ayes - Ta, Yoh, Nguyen, Rowe, Mendoza**

7. Budget to Actual Report for Fourth Quarter

Accounting Manager Melissa Ochoa reported on the Budget to Actual Report for the fourth quarter year to-date fiscal year 2020–21. She stated that General Fund operations expenditures are \$196,700 over the revised budget due to the net effect of lower than planned expenses in Public Affairs and Safety & Risk departments, offset by more than planned expenses in Water Production and Hydrogeology She advised that Water Purchases are \$385,863 less than budget since the District did not budget purchases of MWD untreated full-service imported water this fiscal year, primarily due to anticipated lower pumping demands related to PFAS. Ms. Ochoa reported that R&R costs for the year are \$4.1 million less than planned primarily due to the Smith Basin Rehabilitation project which was placed on hold. She reported that Debt service is under budget by \$3 million due to lower than planned interest rates on variable rate debt for the year.

Upon motion by Director Ta, seconded by Director Yoh, and carried [5-0], the Committee recommended that the Board at its September 15 Board meeting: Receive and file the Budget to Receive and file the Budget to Actual Report for Fourth Quarter of Fiscal Year 2020-21 ending June 30, 2021.

Ayes - Ta, Yoh, Nguyen, Rowe, Mendoza

INFORMATIONAL ITEMS

8. Orange County Water District Redistricting Process

Executive Director John Kennedy advised that state law requires the District to adjust the boundaries of Board Divisions one through seven after the 2020 census data is received by the District, in order to equalize the populations in each of these divisions. He advised that distribution of the census data by the U.S. Census Bureau has been delayed due to COVID-19 and is expected by September 30. He stated that once the 2020 census data is received, District staff will provide possible boundary adjustments to bring each of the division populations to within one half of one percent deviation between division populations. He reported that staff anticipates a proposed revised division map could be provided to the Committee at the December 9 meeting.

10. Monthly Cash Disbursements Report

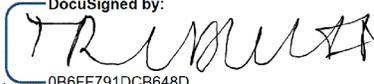
There was no discussion of this item.

CHAIR DIRECTION AS TO WHICH ITEMS IF ANY TO BE AGENDIZED AS MATTERS FOR CONSIDERATION AT SEPTEMBER 15 BOARD MEETING

It was agreed to agendize Item No. 4 as a Matter for Consideration at the September 15 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 8:55 a.m.

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 10/14/2021
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Tri Ta, Chair