EVMWD BOARD ACTION
☐ APPROVED
☐ APPROVED AS AMENDED
☐ DENIED
☐ CONTINUED

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MINUTES
FINANCE & ADMINISTRATION COMMITTEE
Regular Meeting of
February 19, 2019
3:30 P.M.

The Regular Finance and Administration Committee (FAC) Meeting was held at EVMWD's principal offices at 31315 Chaney Street, Lake Elsinore, California.

Director Present
Harvey Ryan
Phil Williams

Staff Present
John Vega, General Manager
Robert Hartwig, Assistant General Manager – Business Services
Brian Macy, Director of Engineering and Water Resources
Terese Quintanar, District Secretary
Margie Armstrong, Director of Strategic Programs
Scott Thompson, Accounting Manager
Jennifer Dancho, Human Resources and Safety Manager
Tim Collie, Water Production Manager
Christina Henry, Customer Service Manager
Jason Dafforn, Director of Engineering

CALL TO ORDER

The meeting was called to order at 3:30 p.m.

PUBLIC COMMENTS

The meeting was opened to public comments and there were none.

1. **Claims Update** – Mediation for the Genesis claim is scheduled for March 13th. A second claim is being responded to by JPIA; however, communications with the claimant are lacking, an adjuster provided information to the claimant. A small claim was filed in January, for damage to a vehicle following from a main break.

2. **Recruitment & Personnel Update** – There were 293 applications processed for positions opened in January. Recruitment time is 126 days and the turnover rate is at 8%. There were two wellness events this year. We are getting great feedback from candidates about online testing and are hoping to roll out the online test to streamline the process across the board. The Sr. Civil Engineer will start in March. Temporary employees are down to seven, two of which are budgeted and three

are for projects. Demographics are trending with Generation X at 50% and boomers and millennials have swapped. Future training scheduled includes Unconscious Bias.

3. **Safety Update** – Five prescription safety glasses have been issued, one ergonomics inspection has been done. In January, there were 8 training sessions totaling 49 hours of training. There has been one minor injury reported. As of today, we are at 69 days without injury.

4. **Records Retention Schedules and Policy Amendment** – A fundamental best practice for minimizing business risk is to implement a legally defensible records management program. It is widely agreed upon that records should be destroyed when no longer needed for any legal or business reason. There are thousands of U.S. laws governing how and how long records must be retained, and an extensive effort was needed to ensure retention periods reflect requirements of law. To assist in the updating of the District's retention schedules, the District obtained the services of Gladwell Governmental Services, Inc., (GGS) an expert in special district records.

   The proposed retention schedules were written interactively with all departments participating. They provide clear, specific records descriptions and retention periods, and apply current law and technology to the management of EVMWD's records. By identifying which department is responsible for maintaining the original record, and by establishing clear retention periods for all categories of records, EVMWD will realize savings in labor costs, storage costs, free filing cabinet and office space, and realize operational efficiencies.

   In addition to the development of up to date retention schedules, policy changes are recommended to incorporate new technologies and procedure. In addition, Section 1420 are recommended to clarify protocol for electronic communications. This policy was reviewed and discussed as a recommendation by the District's Legal Counsel, following the San Jose Public Records challenge, last year.

   Staff has coordinated the review of the recommended Records Retention Schedules and draft policies with Legal Counsel and Gladwell Governmental Services and will be recommending adoption of the proposed Records Retention Schedule and policies to the Board at the February 25, 2019 Special Board Meeting.

5. **SB 998 – Water Shutoff Protection Act** – Senate Bill 998, the Water Shutoff Protection Act, was signed by former Governor Jerry Brown in September 2018. The new legislation will impact current policies and procedures related to discontinuing water service for delinquent accounts. Ms. Henry explained how many days are in between the multiple bills, notices, reminders, etc. The

Committee suggested an owner-only policy and perhaps use flow restrictors for customers not making payments.

6. **Review of District Funds/Reserves** – Mr. Thompson explained that naming convention has been changed to better define “Funds”, “Restricted Accounts”, “Reserves”. Funds are uncommitted or committed. Funds are amounts held by the District, usually classified as uncommitted or committed, that are not specifically required by law, covenant, contract, resolution, ordinance or administrative code. Restricted Accounts are any amounts held by the District that have been designated for a narrowly defined purpose and are required by law, covenant, contract, resolution, ordinance or administrative code. Reserves are amounts that have been established by the Board of Directors to safeguard the financial viability and stability of the District’s operations and are funded from revenues accumulated in the District’s Water, Wastewater and Recycled Water operating funds. Uncommitted are any amounts that are not considered either “restricted” or “committed”. Amounts falling in this category are generally available for any legal use as deemed appropriate by the Board. Committed are amounts that have been appropriated through Board action (i.e. Capital Projects) but have not yet been encumbered by contractual obligations. These amounts could potentially be uncommitted through further board action .

“Non-Rate Related Revenue Funds” include the Wellness Program Fund in the amount of $287k, Passive Income Funding the amount of $131k, Scrap Metal Fund in the amount of $53k and Unclaimed Check Fund in the amount of $33k.

Special Revenue includes General Purpose Property Taxes, RDA Property Tax, and Standby Fees. The Rate Stabilization Fund was established by Resolution 1108, in 1992, and is included in the Administrative Code. The purpose is to defray excessive annual water rate increases if necessary due to one-time or extraordinary operating/maintenance expenditures or to purchase water for Canyon Lake, but only to bring water level to required minimum level under the lease (1372’ above sea level).

Rate Stabilization Reserves were established to accommodate for unexpected operational, legislative, or economic impacts that could not have been reasonably anticipated during the budgeting process. These reserves fluctuate monthly depending on net income/loss in each month. The target Level is at 15% to 30% of the current operating budget for each fund. This reserve must be maintained at the stated target level as specified by existing bond covenants. We can use these funds for Capital Improvement Projects.

The Excess Power Surcharge Fund fluctuates monthly based upon whether Power Zone charges collected are greater or less than pumping expenditures (electricity) in Power Zones. Target Level is10% above or below actual electrical expenditures (may have a negative balance at times). Power Zone charges are reevaluated during the bi-annual budget process. Raftelis is in the midst of reviewing this fund and will recommend use of funds during the budget process. The Conservation Business Fund amounts were accumulated through the collection of Drought Penalties, per Ordinance 225 §14 (5/28/15), accumulated funds are restricted to water conservation expenditures only. This fund is currently used to fund the District's Water Conservation Program. No penalties currently in effect, reserve is declining monthly.

Capital Replacement accounts are funded annually through transfers from the operating funds (rate payer funded). These proceeds are used to fund replacement and/or major refurbishment projects through either direct cash funding and/or debt service payments (principle & interest) on debt related to replacement and/or major refurbishment projects.

Internal Service Funds are for vehicles, equipment, computer, facilities, and capital outlays purchases. The target level is 100% of annual replacement costs.

We also have the SRRRA Replacement Fund, Capital (Construction) Projects. CIP Projects include 63,991,000 and about 33% of projects are unexpected. The remaining 67% makes up the top ten CIP projects.

Debt Service and CFD's have funds and restricted accounts . Restricted accounts are COPs, Capital Surcharged and CFDs. The Capital Surcharge is used to pay off debt for Lighthouse, Continental lift stations and RRCWWTP improvement projects. This is set to expire in 2035. The U-2 payoff was funded by Standby and when that bond expired, the U-2 was reduced. The Capital Surcharge was approved in about 2000 for Canyon Lake projects and was approved prior to merging the different divisions.

Total Uncommitted funds equal $33,152,000 or 180 days of operations. Staff recommends keeping this fund as it is, expecting the need for several large projects. Detail on projects on this list will be included in the presentation for the Board's benefit.

7. **Finance Performance Measures / Indicators** – Mr. Thompson provided information regarding cash investments, pooled investments, business checking and fiscal agent accounts. Our highest earning interest is in CAMP. We have 127 open CIP Projects. Overall, our Principle Balance decreased by $800,450 due to two large debt payments. Director Ryan asked for clarification of the difference between projects capacity fees and future projects. The committed money to future projects and a slide about money we have committed to projects from developer fees. Staff suggested adding a graph showing percentage of developer-funded projects and rate-payer funded projects. Help with differentiating bond payments and capacity fees for Capital projects was requested. Mr. Thompson also presented the debt to asset ratio, which is an indicator of financial leverage.

In 2014, it was 32.30% and we are at 25.71%. Looking at other agencies, EMWD is about 40%. Debt Coverage Ratio is defined as net income and we are at 3.77% (able to pay current debt service). EMWD is at 2.7%. Total outstanding debt reduced from $225M to $150M and all debt will be paid off in 2035. Vendor payment statistics and training within the department were also covered.

8. **January 2019 Customer Service Department Performance Measures** – Ms. Henry reviewed statistics. Call volume decreased, as did the hold time and handle time. Delinquent accounts decreased, along with the number of turn-offs. Abandoned calls increased, but escalated calls decreased. Most customers are calling to start or stop service, balance inquiries, or payment arrangement requests. We have 200 new eBill users and we have 410 new users of AquaHawk. There were 2,053 alerts that went out in January. RARE program customers who qualify has increased to 1,700 and 1,400 received credit this year. We are at $36,000 payout for January. Write offs were lower than last year.

9. **Other** – None.

10. **Consider Items for Board Review** – The Board will review revenues as part of the budget process

11. **Adjournment at 5:06 p.m.**