

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
REGULAR FINANCE & ADMINISTRATION COMMITTEE
MEETING MINUTES FOR
NOVEMBER 5, 2018**

The Finance & Administration Committee of the San Luis & Delta-Mendota Water Authority convened at approximately 12:10 p.m. for a regular meeting, with Chair 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

Chris White, Alternate for Jim O'Banion

Division 4

Sara Singleton, Member - Dana Jacobson, Alternate

Division 5

Steve Stadler, Alternate

Friant Water Authority

Doug DeFlicht, Alternate for Jason Phillips (via teleconference)

Authority Representatives Present

Frances Mizuno, Interim Executive Director

Rebecca Akroyd, Interim General Counsel

Joyce Machado, Director of Finance

Bob Martin, Planning & Engineering Manager

Melody Hernandez, Accounting Tech I

Cathy Bento, Accountant II

Lauren Neves, Accountant III

Others in Attendance

Ara Azhderian, Panoche Water District

John Paul Otollo, Panoche Water District

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 September 13, 2018 Meeting Minutes.**

Alternate Chris White made the motion to approve the October 1, 2018 meeting minutes. The motion was seconded by member Sara Singleton and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, White, Singleton, Stadler

NOES: None

ABSTENTIONS: None

6. **Finance & Administration Committee to Consider Making a Recommendation to the Board of Directors to Accept the Treasurer's Report for the Quarter Ending 9/30/2018.**

Director of Finance Joyce Machado reported on the Treasurer's Report for the Quarter ending 9/30/18 noting the cash balances and outstanding amounts. After Machado's brief review of the report, member Sara Singleton made the motion to make a recommendation to the Board of Directors to accept the Treasurer's Report for the quarter ending 9/30/2018. The motion was seconded by alternate Steve Stadler and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, White, Singleton, Stadler

NOES: None

ABSTENTIONS: None

7. **Finance & Administration Committee to Consider Making a Recommendation to the Board of Directors to Approve Inclusion of Costs Related to the O&M of the DMC Sump Pumps and Drainage Management Performed by Panoche Drainage District in the FY19 and Future O&M Budgets.**

Interim Executive Director Frances Mizuno stated that this item had been brought to the O&M Technical Committee and since it was not included in the FY19 budget, their recommendation was to bring to the FAC for approval of payment. Mizuno then gave the Committee history on the operation of the DMC Sump Pumps. Mizuno asked the Committee to refer to proposal from PDD showing SLDMWA's obligation of \$272,403 for O&M of the DMC Sump Pumps for FY19. Mizuno added that if approved by the BOD, PDD would invoice SLDMWA and this would be paid through O&M collections and allocated to all deliveries coming through JPP into the DMC. Ara Azhderian of Panoche WD answered questions from various Committee members and gave further background and explanation. Mizuno then stated that if the BOD agreed these cost should be included in O&M budget, SLDMWA would enter into an O&M agreement with PDD. Various Committee members asked that payment not be made until an agreement is in place and brought back to the FAC for approval. Chair and Member Rick Gilmore made the motion to make a recommendation to the Board of Directors to approve inclusion of costs related to the O&M of the DMC Sump Pumps and Drainage Management performed by Panoche Drainage District in the FY19 and future O&M budgets, contingent on an agreement being reached and brought to the FAC for approval. The motion was seconded by alternate Chris White and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, White, Singleton, Stadler

NOES: DeFlitch

ABSTENTIONS: None

8. Finance & Administration Committee to Consider Making a Recommendation to the Board of Directors to Approve the Proposed FY20 and Preliminary FY21 O&M Budget.

Interim Executive Director Frances Mizuno stated that the O&M Technical Committee met on October 22, 2018, reviewed the proposed FY20 budget in detail and recommended approval to the FAC. Mizuno asked the Committee to refer to the budget packet included in the Committee packet. Mizuno reviewed in summary the FY19 approved, proposed FY20 and preliminary FY21 budget amounts. Mizuno added that a salary adjustment based on the CPI was included in the proposed FY20 budget and noted 3 new positions also included in the proposed budget. Mizuno then reported to the Committee some of the significant increases on the proposed FY20 Routine O&M budget. Mizuno then reviewed in detail proposed EO&M projects, heavy equipment replacement and vehicle replacement. Mizuno asked Committee to

refer to pages 50 and 51 of the budget packet to see the proposed FY20 total budget amounts that would be used to calculate the WY19 O&M rates and for an illustration of preliminary WY19 O&M rate components. Mizuno then asked Committee to refer to page 52 to see an analysis of future funding options for the JPP Unit Rewind Project. Mizuno discussed 3 options for funding the remaining 5 units, including self-funding (through reserve component), reclamation funding (through repayment contract) and revenue bonds. Mizuno discussed what the total cost including interest would be for each of these options. Mizuno then asked the Committee to refer to page 53 for an analysis of what the reserves component would potentially be (over a 10-year period) if the remaining units were to be paid for through self-funding. Mizuno noted that staff is only requesting the Committee's approval of the proposed budget which includes a unit rewind in each FY 20 and 21 at this time, and that the funding decision of the JPP unit rewind project be approved as part of establishing the WY 19 O&M rates which will not be adopted until later in February 2019. Alternate Steve Stadler made the motion to make a recommendation to the Board of Directors to approve the proposed FY20 and preliminary FY21 O&M budget. The motion was seconded by member Sara Singleton and passed unanimously. The Committee action is reported as follows:

AYES: Michael, Gilmore, White, Singleton, Stadler

NOES: None

ABSTENTIONS: None

REPORT ITEMS

9. FY19 Activities Budget to Actual through 9/30/2018.

Director of Finance Joyce Machado briefly reviewed the Budget to Actual Paid/Pending Comparison for FY19 included in the Committee packet. Machado stated that the budget for the 12 member funded activities over 7 months was trending positive overall with actual spending at 42.05% of the approved budget. Machado noted that further detail by expense could be found attached on pages 3, 4 and 5 of the report. Interim General Counsel Rebecca Akroyd added that the next item in the packet had additional detail on the technical budget showing committed amounts versus actual amounts spent to date.

10. O&M Self-Funding Update.

Director of Finance Joyce Machado reported to the Committee that for WY18 the O&M

self-funded actual expenses through 9/30/18 were under budget by \$1,722,109. Machado stated that for WY17 the Draft Contractor Records were sent out on October 31, 2018 for a thirty-day review. Machado stated that for WY16 the final reconciliations and allocation of costs are in progress and that the PUE costs through 9/30/17 had been finalized. Machado added that the Intertie cost recovery was still an outstanding item, but asked Committee to refer to attachment 2 of the report to see the PUE expense amount had been updated for WY16 on the Intertie Position Analysis report presented at the last FAC meeting.

11. Financial Audit Update.

Director of Finance Joyce Machado stated that staff is committed to completing the FY16 and FY17 audits by February 2019 and the FY18 audit in April 2019. Machado added that Request for Proposal (RFP) letters for the FY18 and FY19 audits would be sent out to CPA firms later that week.

12. FY20 Activity Agreement Budget Draft Schedule.

Director of Finance Joyce Machado asked the Committee to refer to the Activity Budget timeline provided in their packet. Machado noted that a planned Activity Budget Workshop was scheduled to be held on November 13, 2018.

13. Closed Session

Chair Rick Gilmore adjourned the open session to address the items listed on the Closed Session Agenda at approximately 1:40 p.m. Upon return to open session at approximately 2:30 p.m., Interim General Counsel Rebecca Akroyd reported that there were no reportable actions taken in closed session.

14. Reports Pursuant to Government Code Sec 54954.2

No report given.

15. Adjournment.

The meeting was adjourned at approximately 2:30 p.m.