

FINANCE COMMITTEE MEETING
SUMMARY MINUTES
January 17, 2023
3:00 P.M.

ATTENDANCE 

Directors: John Weed (Chair), Paul Sethy

Staff: Ed Stevenson, Jonathan Wunderlich, Mariana Grajeda, David Serrano, Martin Koran

Due to COVID-19 and in accordance with Assembly Bill 361, which modifies Government Code Section 54953, this meeting was conducted in person at the District's Headquarters and virtually by Zoom Webinar and Teleconference, and members of the public were invited to participate. Materials presented to the Committee were posted in advance of the meeting at www.acwd.org.

DISCUSSION TOPICS

1. COVID Status Report: David Serrano, Human Resources and Risk Management Manager, provided an update on COVID status as part of the monthly update to the Finance Committee. The District has seen a total of 158 COVID cases since the start of the pandemic in March 2020. The District has seen 15 new cases, but with no isolation or operation impacts at the end of the reporting period – December 2022 to January 2023. The employee vaccination rate remains at 84.6%. There has been a 3% decrease in the Alameda County case rates for the reporting period. Mr. Serrano answered questions from the Committee.

2. Conservation Program Budget Overview: Martin Koran, Senior Financial Analyst, reviewed the FY 2022/23 Water Conservation Budget. The District budgeted \$44.5 million for Source of Supply (purchased water and supply system operations). In contrast, the District spends approximately \$1.6 million on its water conservation program, which is about 3% of the cost of Source of Supply. These costs include staffing costs for 3 positions, customer rebate programs, professional services, as well as program administration by third parties. Water consumption and population data show that the District's residential consumption are at 72.7 gallons per capita per day (GPCD), which is well below the current target of 83.4 GPCD. The upcoming State targets are 74.9 GPCD effective 2025 and 63.5 GPCD effective 2030, will require the District's conservation programming to play an important role in achieving compliance. Since 1995 residential customers have conserved on average almost 48 gallons per person per day, which equates to about 16.5 million gallons saved per day across the District service area. This amounts to an annual savings in operating costs of approximately \$16 million. Savings are not exclusively due to District conservation efforts: emergency drought conservation and plumbing code changes are also significant. If the District was required to purchase 16.5 million gallons per day of water from San Francisco Public Utilities Commission (SFPUC), the District's most expensive source of supply, it would cost \$38.2 million annually (at the current SFPUC rate of \$4.75 per hundred cubic feet). Mr. Koran responded to questions from the Committee.

3. Facilities Improvement Fund and Facilities Renewal Fund (FRF) Overview: Jonathan Wunderlich, Director of Finance and Administration, reviewed the Facilities Improvement

Fund (FIF) and Facilities Renewal Fund overview and cash balances. FIF is designated to track revenues and expenditures of growth-related facilities to ensure the District can meet future needs for increased water demand. FIF revenue is generated from the incremental cost component of the facilities connection charges (FCC). FRF is designated to track revenues and expenditures for capital projects that refurbish or replace existing facilities to ensure new developments fund their proportional share of existing infrastructure that benefits them upon connecting to the water system. FRF revenue is generated from the equity buy-in component of the FCC. FIF and FRF funds are used exclusively for capital projects. Guidance for determining the FIF percentage allocation to certain capital projects is provided by AWWA Manual M1 and California statute (the Mitigation Fee Act). FRF funds core infrastructure to serve existing needs such as main renewals, production facilities, and reservoirs. The current cash balance for the FIF is \$73 million, and the balance is projected to be spent down over the next several years to \$43 million in FY 2027/28. FRF revenues are allocated to capital project costs as they are received. Mr. Wunderlich responded to questions from the Committee.

4. Recent Performance of the California Asset Management Program and the Local Agency Investment Fund: Mariana Grajeda, Accounting and Treasury Manager, reviewed the recent performance of the California Asset Management Program (CAMP) and the Local Agency Investment Fund (LAIF). Staff regularly monitors the CAMP and LAIF rates closely to determine which of these funds provides better returns. Back in January 2020, LAIF was outperforming CAMP and continued during the pandemic even when the rates were very low. In early 2022 there was an increase in CAMP rates, and in March 2022 staff moved District funds from LAIF to CAMP to get the better rates. Since then, the rates in CAMP have continued to outperform LAIF. Significant decreases in LAIF and/or CAMP balances around June/July each year are due to withdrawals to fund the other post-employment benefit (OPEB) and pension payments the District makes annually. District practice has been to build up the LAIF or CAMP balances during the second half of each fiscal year in preparation for significant bond payments in June and the OPEB and pension payments in July. Ms. Grajeda responded to questions from the Committee.
5. Income Statement: Ms. Grajeda reviewed the FY 2022/23 income statement through December 2022. Water sales increased by \$4,186,000 compared to the prior fiscal year. Facilities connection charges increased by \$2,700,000 due to an increase in construction activity and large payments from developers compared to the prior year. Water purchases were higher by \$922,000, which is largely due to the 15.9% increase in San Francisco water rates effective July 1, 2022. Overall, the District's net position increased by \$17,070,000 for the fiscal year through December 2022. Ms. Grajeda responded to questions from the Committee.
6. Budget Report: Mr. Koran reviewed the FY 2022/23 monthly budget report and reserve funds for the first half of the fiscal year through December 2022. The budget report reflected that the District collected 52.9% of budgeted revenue and spent 49.0% of budgeted expenses through December 2022. Water revenues total \$67,352,000 or 53.8% of budget. Facilities connection charge revenues, totaling \$5,911,000 or 360% of budget, are tracking significantly higher than budget due to the timing of active development projects being ready to install water meters. The District's reserves continue to comply with the established targets and are clearly

identified for specific purposes per Board policy and direction. Mr. Koran responded to questions from the Committee.

7. Public Comments: There were no public comments.

RECOMMENDATIONS

Topics discussed by the Committee were informational only, and no recommendations are being made.