

- EVMWD BOARD ACTION
 APPROVED
 APPROVED AS AMENDED
 DENIED
 CONTINUED
-

**MINUTES
REGULAR MEETING
FINANCE & ADMINISTRATION COMMITTEE**

**November 16, 2021
3:30 P.M.**

The Regular Finance and Administration Committee (FAC) Meeting was held as a hybrid meeting (in-person and virtual) with members of the public notified of the ability to observe and provide public comment telephonically through the information provided on the meeting Agenda.

Director Present

Harvey R. Ryan
Phil Williams

Staff Present

Greg Thomas, General Manager
Robert Hartwig, Assistant General Manager – Business Services
Terese Quintanar, District Secretary/Administrative Services Supervisor
Susie Evans, Sr. Executive Assistant
Margie Armstrong, Director of Strategic Programs
Scott Thompson, Accounting Manager
Christina Henry, Community Relations Manager
Darryn Flexman, Interim Director of Information Technology
Jennifer Dancho, Director of Human Resources
Matt Bates, Engineering Manager
Jason Dafforn, Director of Engineering
AJ Rivera, Purchasing Manager

Others Present

None

CALL TO ORDER

President Williams called the meeting to order at 3:30 p.m.

PUBLIC COMMENTS

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

- 1. Review of Reimbursement Agreement Policy** – Reimbursement agreements are applicable when a developer constructs water or sewer improvements beyond the needs of their own development. Examples of improvements include but are not limited to extension of offsite water and sewer lines or construction of oversized water and sewer lines, water storage reservoirs or sewer lift stations.

Reimbursement agreements allow developers to recover costs from properties that benefit from the water or sewer improvements (benefit area) constructed by the developer. As parcels within the benefit area connect to the District, at the time of collection of the District's capacity fees, the District will collect the applicable reimbursement amount. The funds collected are then reimbursed back to the developer.

The Board requested a review of the term of reimbursement agreements. The following is a history of the term of the reimbursement agreement policy:

- 1956 Created reimbursement agreement policy with 10-year expiration
- 1997 Eliminated 10-year expiration date, per Board request
- 2001 Reinstated 10-year term
- 2015 Changed term of reimbursement agreement with Castle & Cooke to 10 years with option to request a one-time 5-year extension
- 2019 Modified term in administrative code to 10 years with option to request a one-time 5-year extension
- 2021 Board allowed a one-time change of term to reimbursement agreement with Lumos Communities to 15 years

There are currently 12 active reimbursement agreements with various developers. Reimbursement agreements are reconciled quarterly, which is provided to the developers. Developers are also notified when agreements are within one year of the expiration date. Staff recommended maintaining the current term of 10 years plus the option to request an additional five years. This would minimize fiscal impact for the District for administering agreements. The downside would be when the agreement terminates prior to all of the amounts being collected.

Director Ryan expressed concerns with age of infrastructure and confirmed that these are amounts collected in addition to capacity fees. The agreement has costs of the extension or facility and is paid for by the developer. This is an additional amount included on Will Serves and we reimburse to the developer who builds the facility when other properties connect to the line or facility. Discussion followed regarding staff time administering these agreements. The Committee appreciated the report and did not provide further direction.

2. Update to Drought Surcharge Rates –

In January 2014, with California facing water shortfalls in the driest year in recorded history at the time, Governor Brown declared a drought state of emergency, and the State Water Resources Control Board (SWCRB) was charged with mandating water restrictions for California.

On May 6, 2015, the SWRCB adopted statewide mandates requiring agencies to increase conservation efforts. The mandate required EVMWD and its customers to reduce water use by 28%.

On May 28, 2015, the Board adopted an update to the District's Water Shortage Contingency Plan (WSCP). WSCP is part of the Urban Water Management Plan, which is a long-term water resource plan to ensure long-term water supplies availability, and is a requirement specified in the California Water Code. EVMWD modeled its WSCP to be consistent with Metropolitan Water District's (MWD) Water Surplus and Drought Management Plan and Western Municipal Water District's (WMWD) Water Shortage Contingency Plan. The WSCP consist of 5 drought stages, with stages 3 to 5 broken down further into stages a through c. With the adoption of the WSCP, the Board also adopted a drought penalty rate, which is only applicable for drought stages 3 to 5. Penalties are imposed once customers exceed their total monthly water budget (Indoor & Outdoor water budget). Funds collected from the drought penalty can only be utilized for expenses associated with water conservation efforts.

In July 2015, the Board adopted drought surcharge rates. Drought surcharges are also only applicable for drought stages 3 to 5 and are imposed once customers exceed their total monthly water budget (Indoor & Outdoor water budget). Funds collected from the drought surcharges is utilized to help offset revenue losses.

EVMWD is currently in the process of updating its WSCP. As was done previously, EVMWD plans to propose drought stages that are consistent with WMWD's drought stages contained in their plan documents, which are also currently in the process of being updated.

With the update to the WSCP, staff is proposing to engage a rate consultant to update the drought surcharge and penalty. The updated rates will be established based on current water sales volume, usage within tiers, and water rates. The adoption of the drought surcharge requires a Proposition 218 notification process, while the adoption of the drought penalty does not. The Committee requested this item be presented for Board discussion and asked staff to include the timeframe when we applied the surcharge and when we removed the surcharge and consideration should be made regarding the percentage of a fixed rate in the future; what the fixed vs. variable costs were in the past.

- 3. Amendment to Administration Code Section 1500 – Purchasing Policy & Procedure** – In December 2020, the District began a new initiative in which enrolled suppliers receive a virtual payment for their goods and services. Vendors are still able to receive payments via a physical check or ACH, however this program was implemented to provide an additional method of payment that benefits both the District and its suppliers. Staff is requesting an update to Section 1500 of the Administrative Code to the virtual payment program, as well as to make minor formatting adjustments. Staff plans to bring this item to the November 23, 2021 Board Meeting for approval. The Committee concurred with moving this item to the Board for consideration for approval.

4. **Financial Performance Measures/Indicators as of September 30, 2021 –**
Mr. Thompson referenced the report provided in the packet, reviewing performance measures for cash and investments, CIP, debt, accounts payable, and rate stabilization reserves.
5. **Other –** There were none.
6. **Consider Items for Board Review –** Item 2 will be presented at a future Study Session meeting and Item 3 will be presented for consideration for approval on November 23, 2021.
7. **Adjournment at 4:36 p.m.**