

FINANCE COMMITTEE NOTES

March 9th, 2022

Attendees:

Committee members:	Mark Gibboney (Chair) and Randall Reed
Staff members:	John Bosler, Eduardo Espinoza, Taya Victorino, Chad Brantley, Roberta Perez, Frank Chu, Tuan Truong, Amanda Coker, Robert Kalarsarinis, Agnes Boros, Jennifer Fillinger and Kelsey Vega
Members of the Public:	None

Call to Order: 10:00 a.m.

Public Comment: None

Additions/Deletions to Agenda: Fitch Ratings Action to Upgrade CVWD Bond Ratings to 'AA+'

Introductory Remarks by Chair Gibboney

Chair Gibboney announced for the record that this meeting was conducted by teleconference pursuant to Resolution No. 2022-2-1, in an effort to protect public health, prevent the spread of COVID-19 (Coronavirus), and because state and/or local officials are recommending or imposing measures to promote social distancing, the agenda stated that there was no public location for attending this meeting in person. The agenda stated that the public may listen and provide comment telephonically by calling the number listed on the agenda. Chair Gibboney took a roll call of Committee members and staff present on the call as listed above.

1. Fitch Ratings Action to Upgrade CVWD Bond Ratings to 'AA+' (verbal)

- Staff presented an overview of the Fitch annual report and rating action which includes an upgrade.
- Fitch analyzes the District's performance based on detailed financial information and compares it to the performance of other water utilities.
- The report identified the District's low debt leverage ratio, very low operating cost burden, very strong revenue defensibility, and affordable water rates.
- This was an informational item only.

2. Amend Employee Policy No. 2.6, Shift Differential

- Staff proposed amendments to Employee Policy No. 2.6, Shift Differential. The water treatment division oversees the operations and maintenance of three water treatment plants and operators work 24 hours per day-365 days a year to ensure our customers have the water they need. Operators

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are required to work rotating shifts - including day shift, swing shift, and graveyard shift - to provide the necessary coverage for District operations.

- Shift differential is most common in 24-hour operations and is customary in the water treatment industry. Offering shift differential is not compulsory as it is not required by law; however District policy does provide shift differential to fairly compensate employees obligated to work such schedules. The current shift differential pay is 3% for swing shift and 5% for graveyard shift; the District's current policy was adopted prior to 2007.
- Staff evaluated shift differential pay offered in the industry. The results of this evaluation found for swing shifts (typically 3 PM to midnight), the differential is on average 7.5% more than the base hourly rate. For graveyard shifts (6 PM to 6 AM), the differential is on average 10% more than the base hourly rate.
- In consideration of the results of this analysis, staff recommended the shift differential policy be amended to adjust shift differential pay, swing shift to 5% and 10% for graveyard.
- The Committee concurred and recommended forwarding the item to the Board of Directors for review and approval.

3. Amend Employee Policy No. 2.7, Standby

- Staff proposed amendments to Employee Policy No. 2.7, Standby. The policy outlines the District's goals of providing standby service for emergency response, including the compensation, qualifications, use of vehicles/equipment, and employee safety. The assignment of employees on standby duty ensures staff availability outside regular hours of coverage to address operational demands.
- Standby compensation is common and is customary in the water industry, providing a weekday and weekend/holiday daily rate to employees assigned using a rotation schedule for 7-day blocks. Each six-month standby rotation is limited to a maximum of thirteen (13) participants and a maximum of four (4) alternates. The standby rates were last reviewed in 2007.
- Staff recommended an adjustment to the standby rates to accommodate inflationary increases. The fiscal impact to amend Employee Policy No. 2.7 is \$47,600.
- The Committee concurred and recommended forwarding the item to the Board of Directors for review and approval.

4. Wages & Benefits

- Staff presented an analysis of economic conditions and measurements that are used to create a recommendation for a Cost-of-Living Adjustment (COLA) to employee wages.
- The two primary indicators used are the Consumer Price Index (CPI) and the Employment Cost Index (ECI). Both indicators have been increasing recently, with CPI (7.5%) being a leading indicator and ECI (2.6%) being a trailing indicator.
- The objectives of granting a COLA include helping employees who are facing sharp increases in their cost of living, attracting/retaining the highest quality employees, and remaining within projections in the water rate study

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- Staff recommended a 4% COLA effective on April 1, 2022 which would have a financial impact of \$143,513 during the remaining months of fiscal year 2022. The financial impact in fiscal year 2023 would be \$0 as compared to the projected wage cost inflation factor included in the recent rate study, meaning that there would be no impact on water rates.
- The Committee requested that staff perform analysis of a 3.2% COLA and the related financial impact as compared to a 4% COLA. The Committee requested that both the 4% and the 3.2% COLA be presented as separate options to the Board of Directors for review and consideration.

Meeting Adjourned at 10:54 a.m.