

FINANCE COMMITTEE NOTES

April 20th, 2023

Attendees:

Committee members:	Randall Reed (Chair) and Jimmie Moffatt
Staff members:	John Bosler, Eduardo Espinoza, Chad Brantley, Roberta Perez, Rob Hills, Agnes Boros, Eric Grubb, Frank Chu, Jennifer Fillinger, Andrea Dutton, Cindy Cisneros, and Taya Victorino
Members of the Public:	None

Call to Order: 10:30 a.m.

Public Comment: None

Additions/Deletions to Agenda: None

1. Preliminary Sewer Rate Study Results

- a. Staff presented an internally prepared cost of service rate study that analyzed the Local Sewer Transmission Rates.
- b. The results of the rate study show that the Local Sewer Transmission rate should be adjusted to keep up with increasing Operating and Capital Improvement costs.
- c. The Finance Committee requested that staff analyze annual rate adjustments that range from 4% to 8% in order to determine impacts on projected cash flows and impacts on reserve balances.
- d. The Inland Empire Utilities Agency (IEUA) has taken action to increase sewer treatment service charges which CVWD must collect from all sewer customers. CVWD must utilize a pass-through rate in order to collect the IEUA Treatment Charge.
- e. The financial impacts will be presented to the full Board of Directors on May 9th for consideration.

2. Preliminary Recycled Water Rate Study Results

- a. Staff presented an internally prepared cost of service rate study that analyzed the Recycled Water rates and charges.
- b. The results of the rate study show the cost of purchasing wholesale recycled water from the IEUA is increasing and, therefore, requires that CVWD establish new pass-through rates to recover the cost from customers receiving recycled water.
- c. IEUA has changed their recycled water rate structure to include a fixed cost component.

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- d. Staff proposes recycled water rate adjustments of 3% annually, excluding future year IEUA pass-through rate changes.
- e. The Finance Committee supported staff's request and this item will be presented to the full Board of Director's at a future Board meeting.

3. Administrative Policy No. 1.3, Reserve and Financial Benchmark

- a. Staff provided a presentation on the biennial review of the District's Policy No. 1.3, Reserve and Financial Benchmark and recommended minor changes.
 - i. The changes were also reviewed by the District's financial advisors, Fieldman, Rolapp, and Associates.
- b. Staff recommends changing the Local Water Resource Development Reserve target levels from \$2 to \$5 million to higher levels of \$4 to \$8 million
- c. Other Policy enhancements include adding tables to summarize the types of reserves and target levels for each.
- d. The Committee concurred with the proposed changes and recommended review by the full Board of Directors on May 9th.

4. Mid-Year Budget Adjustment

- a. Staff provided a presentation on proposed Mid-Year Budget Adjustments for FY2023.
- b. These adjustments are recommended due to new information and impacts from two categories: (1) adjustments related to water sales revenues and water production costs which were impacted by drought restrictions during the summer months and high levels of precipitation during the winter months (2) adjustments related to higher investment income revenues and the Human Capital Investment Strategy.
- c. The impact of the Budget Adjustment on projected Operating Net Income and the Debt Service Coverage Ratio was analyzed to ensure that the minimum required ratio will be met. Revised Operating Net Income is projected to be \$16.5 million.

Meeting Adjourned at 11:52 a.m.