

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

December 12, 2011

Chair Grunfeld called the meeting to order at 8:40 a.m. in the Board Room at Metropolitan's Headquarters.

Members present: Chair Grunfeld, Vice Chair Blake, Directors De Jesus, Evans, Grandsen, Hawkins, Heidel, Lewinger, Little, and Wunderlich.

Member absent: Director Barbre.

Other Board Members present: Directors Ackerman, Brick, Brown, Dick, Edwards, Griset, Morris, J. Murray, Peterson, Record, Steiner, and Wright.

Staff present: Bennion, Breaux, Brooks, Coffey, DeBacker, Dunn, D. Edwards, Goldstein, J. Gonzales, J. Green, Harding, Ivey, Man, Marumoto, Norris, Odwak, Reukema, Riss, Scully, Skillman, Soper, Sotoodeh, Stites, Upadhyay, Waade, Wolfe, E. Young, and Zinke.

1. OPPORTUNITIES FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

None

2. APPROVAL OF THE MINUTES OF THE MEETING OF THE FINANCE AND INSURANCE COMMITTEE HELD NOVEMBER 7, 2011

Approved

Moved: Hawkins

Seconded: Lewinger

3. MANAGEMENT REPORTS

- a. Subject: Report of investment activity
- Presented by: Treasurer Roger Marumoto

Mr. Marumoto advised that on November 30, Metropolitan sold the Lehman corporate bonds on a competitive basis to JPMorgan and Barclays. The factors included in the consideration of selling the bonds were the favorable prices offered in the market, the fact that the distribution of payments from the bankruptcy court would take several years, and the uncertainty of the amount that would represent the distribution. The sale of the bonds represented approximately \$245,000 over the original amount that Metropolitan anticipated to be paid by the bankruptcy court. During the three years that Metropolitan held the bonds, the sale also represents approximately a \$703,000 improvement over the value of the bonds shortly after the Lehman bankruptcy, and the \$1,360,940 also represents roughly double the value of the bonds after the bankruptcy.

Mr. Marumoto discussed the investment portfolio for the month of November, summarizing the investment income, portfolio durations, and investment performance of the short-term portfolios and long-term portfolios.

The breakdown of the various categories of securities is provided each month in the Treasurer's Monthly Report.

- b. Subject: Financial Highlights
- Presented by: Chief Financial Officer Gary Breaux

Mr. Breaux discussed the water sales, revenues, expenditures, O&M expenditures, capital financing expenditures, and reserve fund balance.

Mr. Breaux discussed actions to reduce O&M cost, Metropolitan's downward staffing trend and actual employee count vs. budget, and the operating equipment fleet reduction.

4. CONSENT CALENDAR – ACTION

- 7-1 Subject: Approve Amendment to Agreement No. 119116 with Public Resources Advisory Group to authorize a \$125,000 increase in maximum amount payable for financial advisory services

No Presentation given

- Motion
Option 1
- Adopt the CEQA determination and
- a. Approve amendment to Agreement No. 119116 with Public Resources Advisory Group to authorize an increase of \$75,000 in annual maximum amount payable to a total of \$315,000 for contract year 2011/12; and
 - b. Approve an increase of \$50,000 in annual maximum amount payable to a total of \$290,000 for contract year 2012/13.

Approved

Moved: Evans

Seconded: Lewinger

- 7-2 Subject: Grant conditional approval for Annexation No. 96 to Calleguas Municipal Water District and to Metropolitan; and adopt resolution of intention to impose water standby charge

No Presentation given

- Motion
Option 1
- Adopt the CEQA determination and
- a. Grant conditional approval for the Calleguas Annexation No. 96 concurrently to Calleguas and to Metropolitan, conditioned upon receipt in full of annexation fee of approximately \$25,308.40 to Metropolitan if completed by December 31, 2012, or if completed later, at the then current annexation charge rate;
 - b. Approve Calleguas' Statement of Compliance with the current Water Use Efficiency Guidelines; and
 - c. Adopt the resolution of intention to impose water standby charge within the proposed annexation territory.

Approved

Moved: Evans

Seconded: Lewinger

- 7-3 Subject: Adopt final resolution for annexation and impose water standby charge for Peaceful Valley Ranch Annexation to San Diego County Water Authority and Metropolitan

No Presentation given

- Motion Adopt the CEQA determination and
Option 1 a. Adopt resolution granting SDCWA's request for approval of Peaceful Valley Ranch Annexation concurrently to SDCWA and Metropolitan, and establishing Metropolitan's terms and conditions for the annexation; conditioned upon approval by San Diego Local Agency Formation Commission, and upon receipt of annexation fee of \$620,238.80; and
 b. Adopt resolution to impose water standby charge at a rate of \$11.51 per acre or per parcel of less than one acre, within the proposed annexation area.

Approved

Moved: Evans

Seconded: Lewinger

5. OTHER BOARD ITEMS – ACTION

- 8-1 Subject: Authorize payment for calendar year 2012 charges for water from the State Water Project under Metropolitan's State Water Contract with the Department of Water Resources

Presented by: Sr. Resource Specialist Dave Reukema

Mr. Reukema discussed the background and gave a comparison of calendar year 2011 and 2012 charges. He discussed the Department of Water Resources methodology and noted that the 2012 charges will vary based on deliveries. The 2012 calendar year payment authorization results for 2011, and other two options, were reviewed as well.

- Recommended Adopt the CEQA determination and authorize payments up to a
Motion total of \$640 million to DWR in CY 2012 for Metropolitan's
Option 1 SWP charges.

Adopted Motion Option 2 Adopt the CEQA determination and authorize payments up to a total of \$556 million to DWR in CY 2012 for Metropolitan's SWP charges.

Approved with Director Blake voting no

Moved: Lewinger

Seconded: Hawkins

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

None

8. FOLLOW UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

The next meeting will be held on January 9, 2012.

The meeting adjourned at 9:40 a.m. to the Board Workshop on the Long Range Finance Plan.

Aaron Grunfeld
Chair