

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

June 10, 2013

Chair Grunfeld called the meeting to order at 9:00 a.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Chair Grunfeld, Vice Chair Barbre, Directors Babcock, De Jesus, Evans (via teleconference), Kurtz, Lewinger, Little, Pringle, and Wunderlich.

Members absent: Directors Touhey, Vasquez, and Wilson.

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

Staff present: H. Beatty, Bennion, Boronkay, Breaux, Brooks, Clairday, K. Cole, DeBacker, C. Dunn, Goldstein, J. Gonzales, J. Green, Ivey, Kightlinger, Man, Marumoto, Muir, Norris, Odwak, Patterson, Philp, Pitman, Riss, J. Sanchez, Scully, Skillman, Soper, Sotoodeh, Stites, Tellers, Upadhyay, Waade, Young, and Zinke.

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

No members responded.

2. APPROVAL OF THE MINUTES OF THE MEETING OF THE FINANCE AND INSURANCE COMMITTEE HELD MAY 13, 2013

Motion Carried Moved: Director Babcock Seconded: Director Wunderlich
Abstained: Director Lewinger

Votes: 9 = Yes; 1 = Abstain

3. MANAGEMENT REPORTS

a. Subject: Report on investment activity

Presented by: Treasurer Roger Marumoto

Mr. Marumoto presented the investment portfolio for the month of May detailing the portfolio durations and investment performance of both short-term and long-term portfolios.

b. Subject: Financial highlights

Presented by: Chief Financial Officer Gary Breaux

Mr. Breaux discussed the cumulative water sales, fiscal year revenues, and fiscal year expenditures.

4. CONSENT CALENDAR ITEMS — ACTION

7-2 Subject: Approve up to \$1.161 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program

Presented by: None

Motion: Adopt the CEQA determination and approve up to \$1.161 million to renew or replace the Aircraft Liability, Crime, Property Damage, Excess General Liability Policies, and Excess Workers' Compensation Policy maintaining the existing \$5 million self-insured retention, coverage limits of \$50 million; and obtain coverage for the employees in Washington, D.C.

Motion carried: Moved: Director Wunderlich Seconded: Director Pringle

Votes: Unanimous

7-3 Subject: Grant conditional approval for Annexation No. 97 to Calleguas Municipal Water District and to Metropolitan Water District; and adopt resolution for imposition of water standby charges

Presented by: None

- Motion: Adopt the CEQA determination and
- a. Grant conditional approval for Annexation No. 97 concurrently to Calleguas and Metropolitan, conditioned upon receipt in full of annexation fee of \$8,149.28 to Metropolitan if completed by December 31, 2013, or if completed later, the then-current annexation charge applies;
 - 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 territories, substantially in the form of Attachment 3 to the board letter.

Motion carried: Moved: Director Wunderlich Seconded: Director Pringle

Votes: Unanimous

7-4 Subject: Adopt final resolutions for annexation and impose water standby charge for the 103rd Fringe Area to Eastern Municipal Water District and Metropolitan Water District

Presented by: None

- Motion: Adopt the CEQA determination and
- a. Adopt resolution granting Eastern's request for approval of the 103rd Fringe Area concurrently to Eastern and Metropolitan and establish Metropolitan's terms and conditions for the annexation, conditioned upon approval by Riverside Local Agency Formation Commission, and upon receipt of annexation fee of \$56,611.93; and
 - b. Adopt resolution to impose water standby charge at a rate of \$6.94 per acre, or per parcel of less than one acre, within the proposed annexation area.

Motion carried: Moved: Director Wunderlich Seconded: Director Pringle

Votes: Unanimous

5. OTHER BOARD ITEMS — ACTION

8-1 Subject: Mid-cycle Biennial Budget Review and Recommendations
for Use of Reserves over Target

Presented by: Chief Financial Officer Gary Breaux

Motion: Adopt the CEQA determination and authorize the use of
reserves over the reserve target established in
Administrative Code Section 5202, estimated at
\$75 million, and transfer monies to the Replacement and
Refurbishment (PAYGO) Fund, the OPEB Trust, and the
Water Transfer Fund in FY 2012/13, as specified by the
Board.

Motion carried: Moved: Director De Jesus Seconded: Director Little
No: Director Lewinger
Abstain: Director Babcock

Votes: 8 = Yes; 1 = No; 1 = Abstain

The Committee also recommended that the Board hold a workshop on the use of reserves and fixed revenues.

Chair Grunfeld advised that a letter dated June 5, 2013 from SDCWA regarding Item 8-1 was received and distributed to the committee. SDCWA's letter is in opposition of Item 8-1 and requesting a refund of excess reserves. The letter is on file in the Office of the CFO.

Supplemental Adopt Option 2 in addition to Option 1:
Motion:

Option 2: Adopt the CEQA determination and reduce the
approved rate increase effective January 1, 2014 from
5 percent to 3 percent.

Motion failed: Moved: Director Lewinger Seconded: Director Babcock
No: Directors Barbre, DeJesus, Evans, Grunfeld, Kurtz,
Little, Pringle, and Wunderlich

Votes: 2 = Yes; 8 = No

Several questions and comments were raised by directors and staff responded.

- 8-2 Subject: Suspend the tax rate limitations in Section 124.5 of the Metropolitan Water District Act in order to maintain the ad valorem tax rate for fiscal year 2013/14
- Presented by: Chief Financial Officer Gary Breaux
- Motion: Adopt the CEQA determination and the Resolution Finding that Maintaining the Ad Valorem Tax Rate for Fiscal Year 2013/14 is Essential to the Fiscal Integrity of the District.
- Motion carried: Moved: Director De Jesus Seconded: Director Wunderlich
No: Director Lewinger

Votes: 9 = Yes; 1 = No

Several questions and comments were raised by directors and staff responded.

Chair Grunfeld advised that a letter dated June 5, 2013 from SDCWA regarding Item 8-2 was received and distributed to the committee. SDCWA's letter is in opposition of Item 8-2. The letter is on file in the Office of the CFO.

Assistant General Counsel Bennion advised that one written comment was received, which will be posted on the Director's website.

- 8-4 Subject: Annual approval of Metropolitan's Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan
- Presented by: None
- Amended Motion: Adopt the CEQA determination and
a. Approve the Statement of Investment Policy, with the addition of the statement that "Reverse repurchases may be entered into to meet temporary liquidity needs and not for speculation;" and
b. Delegate authority to invest to the Treasurer for fiscal year 2013/14.
- Motion carried: Moved: Director Wunderlich Seconded: Director Pringle

Votes: Unanimous

8-5 Subject: Authorize the execution and distribution of the Official Statement in connection with the issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2013 Series E (Flexible Index Mode)

Presented by: None

Motion: Adopt the CEQA determination and

- a. Approve the draft Official Statement substantially in the form attached to this board letter, with changes approved by the General Manager and General Counsel;
- b. Authorize the General Manager to execute the Official Statement; and
- c. Authorize distribution of the Official Statement in connection with remarketing and marketing of the bonds.

Motion carried: Moved: Director Barbre Seconded: Director Wunderlich
No: Director Lewinger

Votes: 9 = Yes; 1 = No

Chair Grunfeld advised that letters dated June 7, 2013 from MWDOC and SDCWA were received and distributed to the committee. MWDOC's letter is in support of Item 8-5. SDCWA's letter is in opposition of Item 8-5. The letters are on file in the Office of the CFO.

6. BOARD INFORMATION ITEM

None

7. COMMITTEE ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

Analysis on underfunding of OPEB and PAYGO.

The next meeting will be held on July 8, 2013.

Meeting adjourned at 10:43 a.m.

Aaron Grunfeld
Chair