

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

AJOURNED FINANCE AND INSURANCE COMMITTEE

September 14, 2020

Chair Quiñonez called the teleconference meeting to order at 9:00 a.m.

Members present: Chair Quiñonez, Vice Chair Record, Directors Blois, Dick, Faessel, Goldberg, Hawkins, Ortega, Quinn, Ramos (entered after roll call), Smith, and Tamaribuchi.

Members absent: None

Other Board Members present: Chairwoman Gray, Directors Abdo, Ackerman, Atwater, Ballin, Butkiewicz, Camacho, Cordero, De Jesus, Hogan, Kurtz, Lefevre, McKenney, Morris, Murray, Peterson, Pressman, Repenning, Treviño. Director Ballin was present on the teleconference but not heard for the roll call due to technical difficulties.

Staff present: Beatty, Kasaine, Kightlinger, Ros, Upadhyay.

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

None

CONSENT CALENDAR ITEMS — ACTION
--

2. CONSENT CALENDAR OTHER ITEMS – ACTION

Director Quiñonez announced that the vote for approval of the Minutes would be conducted with the rest of the consent calendar items.

The following Directors provided comments or asked questions:

1. Goldberg

3. CONSENT CALENDAR ITEMS – ACTION

7-1 Subject: Adopt Ordinance No. 151 determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of \$500 million to finance a portion of capital expenditures and waive the full reading of Ordinance; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [**Two-thirds vote required at Board**]

Motion: Adopt Ordinance No. 151, determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of \$500 million to finance a portion of Metropolitan's capital expenditures and waive the full reading of Ordinance No. 151 (two-thirds vote of the Board). (Attachment 1.)

After completion of the presentation, Director Dick made a motion, seconded by Director Blois to approve item 7-1:

Director Smith requested to see the presentation and have discussion on Item 7-2.

Chair Quiñonez announced that the committee would vote on Item 7-1. 7-2 would be removed from the Consent Calendar Items.

The vote was:

Ayes: Directors Blois, Dick, Faessel, Goldberg, Hawkins, Ortega, Quinn, Quiñonez, Record, Smith, and Tamaribuchi

Noes: None

Abstentions: None

Absent: Director Ramos

The motion passed by a vote of 11 ayes, 0 noes, 0 abstain, and 1 absent.

7-2 Subject: Adopt Twenty-Fourth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$255 million of Water Revenue Bonds, 2020 Series or 2021 Series; and approve expenditures to fund the costs of issuance of the Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Amended Motion: a. Adopt the Twenty-Fourth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$180 million of Water Revenue Bonds, 2020 Series and 2021 Series, and providing the terms and conditions for the sale and issuance of said Water Revenue Bonds; and
b. Approve expenditures of approximately \$780,000 for the payment of the costs of issuance of the Water Revenue Bonds to be paid from bond proceeds or Metropolitan funds.

Director Smith noted that on September 11, 2020, SDCWA submitted a letter commenting on Item 7-2, and requested that the letter will be made part of the record.

After completion of the presentation, Director Smith made a motion to amend the \$255 million listed in Option 1 to \$180 million, and Director Goldberg seconded the motion:

The vote was:

Ayes: Directors Goldberg, Quinn, Quiñonez, Smith

Noes: Directors Blois, Dick, Faessel, Hawkins, Ortega, Record, Tamaribuchi

Abstentions: None

Absent: Director Ramos

The motion failed by a vote of 4 ayes, 7 noes, 0 abstain, and 1 absent.

Motion: a. Adopt the Twenty-Fourth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$255 million of Water Revenue Bonds, 2020 Series and 2021 Series, and providing the terms and conditions for the sale and issuance of said Water Revenue Bonds; and
b. Approve expenditures of approximately \$780,000 for the payment of the costs of issuance of the Water Revenue Bonds to be paid from bond proceeds or Metropolitan funds.

Director Blois made a motion, seconded by Director Record to approve Item 7-2:

The vote was:

Ayes: Directors Blois, Dick, Faessel, Hawkins, Ortega, Quinn, Quiñonez, Record and Tamaribuchi

Noes: Directors Goldberg and Smith

Abstentions: None

Absent: Director Ramos

The motion passed by a vote of 9 ayes, 2 noes, 0 abstain, and 1 absent.

The following Directors provided comments or asked questions:

1. Smith
2. Goldberg
3. Ortega

Staff responded to the Directors' questions and comments.

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

8-1 Subject: Review the impacts of the COVID-19 crisis on Metropolitan's fiscal years 2020/21 and 2021/22 biennial budget and rates and charges for calendar years 2021 and 2022; approve recommended cost-containment measures to address the COVID-19 financial impacts; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

After completion of the presentation on 8-1 the following Directors provided comments/asked questions and the following motions were made.

1. Quiñonez
2. Smith
3. Ortega
4. Goldberg
5. Record
6. Peterson
7. Dick

Staff responded to the Directors' questions and comments.

Director Smith noted SDCWA's August 31, 2020 letter commenting on Item 8-1. Katano Kasaine noted Chairwoman Gray's September 9, 2020 response. These items will be made part of the record.

Director Ortega made an amended motion to approve Item 8-1 (with two amendments), seconded by Director Faessel as follows.

Amended Motion: Approve option #1, with an amendment added:

Approve the following recommended cost-containment measures to address the COVID-19 financial impacts:

- a. Continue to track COVID-19 impacts to the member agencies with a focus on retail payment delinquencies. If there is interest from the member agencies, develop a payment deferral program that also exempts penalties or interest for those agencies that record and report significant delinquencies and likewise grant deferrals to their customers. Bring back any deferral program criteria to the Board for review and consideration.
- b. Monitor water demands, sales and expenditures and prepare additional cost-containment measures, as needed, for mid-cycle budget review.
- c. Maintain the current rates adopted by the Board to address the impacts of lower water sales and lower revenues while maintaining current credit ratings.

Added amendment:

- d. Include in the mid-year budget review new revenue generation options including through a groundwater replenishment program.
- e. Implement a moratorium on non-emergency un-budgeted proposals for the remaining part of the fiscal year that have not been anticipated in the budget.

Director Goldberg made a substitute motion #1, seconded by Director Smith as follows:

Substitute Motion #1: Make three budget adjustments described by Director Smith: \$7 million savings from succession planning that was identified earlier in the budget, \$8 million that were projected to be additional tax revenue, and \$11.7 million in cost containment that was identified today for a total of \$26.7 million; and that to be incorporated into Metropolitan's transportation rates in order to ensure that we are providing some relief to all Southern California rate payers.

Chair Quiñonez called for a vote on substitute motion #1:

The vote was:

Ayes: Directors Faessel, Goldberg, Ortega, Smith
Noes: Directors Blois, Dick, Hawkins, Quiñonez, Quinn, Record and
Tamaribuchi
Abstentions: Director Ramos
Absent: None

The motion failed by a vote of 4 ayes, 7 noes, 1 abstain, and 0 absent.

Director Record made a substitute motion #2 to approve Item, 8-1, seconded by Director Dick as follows:

Substitute Motion #2: Approve the following recommended cost-containment measures to address the COVID-19 financial impacts:

- a. Continue to track COVID-19 impacts to the member agencies with a focus on retail payment delinquencies. If there is interest from the member agencies, develop a payment deferral program that also exempts penalties or interest for those agencies that record and report significant delinquencies and likewise grant deferrals to their customers. Bring back any deferral program criteria to the Board for review and consideration.
- b. Monitor water demands, sales and expenditures and prepare additional cost-containment measures, as needed, for mid-cycle budget review.
- c. Maintain the current rates adopted by the Board to address the impacts of lower water sales and lower revenues while maintaining current credit ratings.

Chair Quiñonez called for a vote on substitute motion #2:

The vote was:

Ayes: Directors Blois, Dick, Hawkins, Record, and Tamaribuchi
Noes: Directors Faessel, Goldberg, Ortega, Quiñonez, Quinn, Ramos, and Smith
Abstentions: None
Absent: None

The motion failed by a vote of 5 ayes, 7 noes, 0 abstain, and 0 absent.

Chair Quiñonez called for a vote on Director Ortega's amended motion:

The vote was:

Ayes: Directors Blois, Dick, Faessel, Goldberg, Ortega, Quinn, Quiñonez, Ramos, Smith and Tamaribuchi
Noes: Director Record
Abstentions: None
Absent: Director Hawkins

The motion passed by a vote of 10 ayes, 1 noes, 0 abstain, and 1 absent.

The following correspondence was submitted commenting on Item 8-1, and will be made part of the record: San Diego County Water Authority letters, dated August 31, 2020 and September 9, 2020; Letter from Rubi Baricuatro, dated September 3, 2020; Letter from James Hardie, dated September 3, 2020; Michael Freedman from City of San Ysidro, dated September 3, 2020; Letter from James Rowten, dated September 3, 2020; Letter from Julia Feliciano, dated September 6, 2020; Olivenheim Municipal Water District Letter, dated September 9, 2020; Valley Center Municipal Water District letter, dated September 9, 2020; San Dieguito Water District letter, dated September 10, 2020; Lakeside Water District, dated September 10, 2020; Otay Water District letter, dated September 10, 2020; Rancho California Water District letter, dated September 10, 2020; Water Utilities, City of Oceanside letter, dated September 10, 2020; Santa Fe Irrigation District letter, dated September 11, 2020; Padre Dam Municipal Water District letter, dated September 11, 2020; Foothill Municipal Water District letter, West Basin Municipal Water District, Municipal Water District of Orange County, Calleguas Municipal Water District, Eastern Municipal Water District, Las Virgenes Municipal Water District, Three Valleys Municipal Water District, Upper San Gabriel Valley Municipal Water District, Western Municipal Water District, and City of Santa Ana letter, dated September 11, 2020; Carlsbad Municipal Water District letter, dated September 11, 2020; and San Diego City Council letter, dated September 11, 2020.

Helix Water District dated September 11, 2020. This letter is included in the Committee record because it was received by Metropolitan before the meeting, but because it was provided to the Committee on September 14 after the meeting, it was not considered by the Committee at that meeting.

Metropolitan's General Manager, Jeffrey Kightlinger responded by letter to the letters. These letters will be made part of the record. Chairwoman Gray responded by letter to the San Diego County Water Authority's August 31, 2020 letter.

2. CONSENT CALENDAR OTHER ITEMS – ACTION (CONT'D)

- A. Subject: Approval of the Minutes of the meeting of the Finance and Insurance Committee held August 17, 2020

Director Dick made a motion, seconded by Director Faessel to approve item 2A:

The vote was:

Ayes: Directors Blois, Dick, Faessel, Ortega, Quinn, Quiñonez, Ramos, Record, Smith and Tamaribuchi

Noes: None

Abstentions: Director Goldberg

Absent: Director Hawkins

The motion passed by a vote of 10 ayes, 0 noes, 1 abstain, and 1 absent.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

None

7. MANAGEMENT REPORT

- a. Subject: Chief Financial Officer's report
Presenter: Katano Kasaine, Chief Financial Officer/Assistant General Manager
No report given

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

10. ADJOURNMENT

Next meeting will be held on October 12, 2020.

Meeting adjourned at 10:45 a.m.

Jesus Quiñonez
Chair