

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, NOVEMBER 21, 2022 AT 4:30 P.M.
AT THE DISTRICT OFFICE IN THE BOARD ROOM
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Elitharp called the meeting to order at the hour of 4:30 p.m.

Present: Director Boyd-Hodgson
Director Elitharp
General Manager Pruim
Assistant General Manager Gumpel
District Engineer Hubbard
Chief Financial Officer Owen
Development Services Senior Engineer Lopez
Principal Financial Analyst Arthur
Senior Executive Assistant Flores

Others Present: Jayson Schmitt, Chandler Asset Management
Shannon Ayala, DavisFarr, LLP

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

TWIN OAKS VALLEY ROAD SUB AREA MASTER PLAN

Development Services Senior Engineer Lopez provided the Committee with an overview of the Twin Oaks Valley Road Sub Area Master Plan, its purpose, and proposed next steps which include the following:

- Bring recommendation to the Board for approval of Sub-Area Master Plan budget (anticipated sewer capacity fund budget increase of \$100,000),
- Hire a consultant to prepare the Sub-Area Master Plan and update Cap Fee Model, and
- Bring recommendation to the Board for Capital Facility Fee adjustment.

General discussion took place regarding the necessity of the project regardless of future developer funding.

The Committee supported taking the item to the Board for approval of a Capital Facility Fee Adjustment.

ANNUAL INVESTMENT POLICY UPDATE

Chief Financial Officer Owen stated staff is required to provide the Board an annual update on the District's investment policy. He introduced Jayson Schmitt of Chandler Asset Management. Mr. Schmitt discussed recommendations for revisions to the investment policy. The recommendations for consideration include:

- Adding broker/dealers licensed by the state to the list of authorized financial institutions,
- Adding institutions that are members of a federally regulated securities exchange,
- Increasing the limit per U.S. agency issuers from 25% to 30%,
- Allowing the purchase of commercial paper issued by entities organized within the United States as a special purpose corporation, trust, or limited liability company,
- Possibly increasing the amount of commercial paper purchases allowed in the portfolio from 25% to no more than 40% of the portfolio if the District's investment assets total more than \$100 million, and
- Updating language pertaining to money market mutual funds and downgraded securities.

The Committee supported the recommendations as presented. This item will be presented to the Board in December.

AUDIT DISCUSSION AND GOVERNMENT ACCOUNTING STANDARD BOARD STATEMENT 68 (GASB-68) IMPACTS

Chief Financial Officer Owen introduced Shannon Ayala of DavisFarr LLP. Ms. Ayala provided a presentation on the Audit Result for Fiscal Year Ended June 30, 2022, as follows:

- Audit Reports
- Audit Results
- Areas of Audit Focus
 - Implementation of GASB 87
 - Employee Expense Reimbursements
- Audit Report Changes

Ms. Ayala stated the auditors will issue an unmodified opinion dated December 2, 2022, on the District's Annual Comprehensive Financial Report which is the highest level of audit opinion that can be received. The financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

General discussion took place regarding the auditor's communication with a single Board Director versus the entire Board of Directors prior to the start of the audit. The auditors determine how they will do this each year.

Chief Financial Officer Owen stated GASB 68, effective in 2015, requires all governmental agencies to report their net pension liability on their financial statements. He further stated that for 2022, using the CalPERS valuation tool, the District's financial statements show an estimated \$4.5 million net pension asset. This is due largely to CalPERS' estimation and timing of CalPERS' valuations. The Board will be receiving the finalized financial statement prior to the December 14 Special Board meeting at which the final Annual Comprehensive Financial Report will be presented for approval.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:07 p.m.