



ADMINISTRATIVE AND FINANCE COMMITTEE

November 14, 2013

CALL TO ORDER / ROLL CALL

Chair Saunders called the Special Meeting of the Administrative and Finance Committee meeting to order at 3:18 p.m. Committee members present were Chair Saunders, Vice Chair Arant, and Directors Gallo, Hilliker, Hogan, Lewinger, Topolovac, Watton*, Weston, Williams and Wilson*. Committee members absent were Vice Chair Wight and Director Sanford. Also present were Directors Barnum, Brady, Croucher, Evans, Linden, Madaffer, Muir, Olson, Saxod, Verbeke, Watkins and Wornham. At that time, there was a quorum of the Board, however only Committee members participated in the vote.

Staff present was General Counsel Hentschke, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer McCraner, Director of Water Resources Weinberg, Financial Planning Manager Shank and Financial Resources Manager Celaya.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

There was no Chair's Report.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no Consent items.

II. ACTION/DISCUSSION

1. Fiscal Sustainability Task Force.
 - 1-A Fiscal Sustainability Overview and Process.

Ms. Kerl began the presentation with a review of the agenda, which was an overview and process review of the Task Force, rate-setting environment past and future, proposed Fiscal Sustainability Guiding Principles and a follow-up of next steps.

Director Barnum provided an update on the Fiscal Sustainability Task Force and introduced all board members on the Task Force well as Water Authority staff and various consultants involved. He mentioned that seven meetings had been held since May 2013 and four



more were up-coming. He reviewed the Task Force's main areas of focus, which were fixed cost, fixed revenue, rate stabilization fund reserve calculation, consistent allocation methodology, peaking and stored water reserve policy.

1-B Perspective on past and future rate setting environment.

Mr. Weinberg explained the rate-setting environment in the past and future showing a timeline, dated back to 1989, on supply planning decisions and capital improvement projects. He explained the bundled "postage stamp" rate versus the unbundled "postage stamp" rate that the Water Authority currently uses and discussed the diversification of revenues from 1990-2003.

Ms. McCraner explained the existing rate and charge structure had performed well. She mentioned the strengths of the existing rate structure that resulted from the Cost of Service Study with Carollo Engineers. She reviewed a "then and now" comparison of the environment and its changes and discussed future Fiscal Sustainability challenges.

**Director Wilson arrived at 3:37 p.m.*

Ms. Kerl presented the Fiscal Sustainability Task Force Guiding Principles, how fiscal sustainability was defined, and identified common characteristics of fiscal sustainability described from the Government Accounting Standards Board (GASB). She reviewed Guiding Principle A, which was maintaining AA+ or better credit rating.

Ms. McCraner reviewed Guiding Principle A in further detail measuring fiscal sustainability with Metrics. She mentioned strengths and weaknesses of maintaining AA+ credit rating and the cost of a credit downgrade.

**Director Watton arrived at 3:49 p.m.*

Director Gallo inquired about the Water Authority's Reserve Policy.

Ms. Kerl mentioned that at the November 21, 2013 Administrative and Finance Committee meeting the Controller's Report item would include that information and would be reviewed at that time.

Ms. Kerl continued her presentation by reviewing the Guiding Principles B-K in more detail. Guiding Principles B-K were:

- B: Adhere to Industry Cost of Service Principles.
- C: Ensure all beneficiaries of services pay fair share of costs.
- D: Provide equity for all Member Agencies.
- E: Result in the consistent application of Board rate-setting and other financial policies.



- F: Support intergenerational equity.
- G: Result in an appropriate level of fixed revenue for fixed obligations.
- H: Consider our dynamic environment.
- I: Maintain or enhance our fundamental mission.
- J: Fulfill all legal requirements.
- K: Be consistent in the Water Authority's position on rate setting and fiscal sustainability here and at MWD.

Director Barnum thanked the Task Force and recommended to the Board an approval of the proposed Fiscal Sustainability Guiding Principles.

Director Hogan suggested implementation of a "Policy Statement".

Director Lewinger requested an analysis of if the Water Authority moved up a credit rating and how that would affect ratepayers, as well as Guiding Principle G, regarding fixed revenues for fixed obligations.

Director Weston moved the motion to approve the Guiding Principles. Director Arant seconded the motion to approve the Guiding Principles with a suggestion to adjust the wording on Guiding Principle D.

Director Topolovac agreed with Director Arant on changing the wording on Guiding Principle D.

Chair Saunders announced the word change to Guiding Principle D would be handled by a motion to change the wording to "Ensure all interests are met including these of the Water Authority and its Member Agencies".

Director Watton made comments on fixed costs and proposition 26 in Guiding Principle J.

Director Hogan asked for clarification of what the Guiding Principles would be used for. Chair Wornham explained that the principles were the start of the process and the Task Force would return with more refined principles in the future.

Director Wilson commented on fixed revenues and requested the Task Force to discuss more closely.

Director Gallo requested a copy of the Long Range Financing Plan.

Director Muir thanked the Task Force and suggested they look at the Guiding Principles as a tool and to prioritize the emphasis on the Member Agencies.



After much discussion, the Board decided to adjust the wording to “ensure all regional interests are considered, including those of the San Diego County Water Authority and Member Agencies”.

Director Wornham thanked the Task Force and staff for all their hard work.

- 1-C Proposed Fiscal Sustainability Guiding Principles.
Task Force Recommendation: Approve the Fiscal Sustainability Guiding Principles as recommended by the Fiscal Sustainability Task Force.

Director Weston and Director Arant had moved the motions earlier in the meeting. The motion passed unanimously.

III. INFORMATION

There were no information items.

IV. CLOSED SESSION

There were no closed session items.

V. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Saunders adjourned the meeting at 4:33 p.m.

Javier Saunders, Chair