Finance and Personnel Committee Meeting - March 18, 2020

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FINANCE AND PERSONNEL COMMITTEE
Pursuant to the Executive Order N-25-20 issued by Governor Newsom, one or more Board members may participate in the meeting via teleconference.

AGENDA

DATE: Wednesday, March 18, 2020 TIME: 4:30 p.m.

1. CALL MEETING TO ORDER AND ROLL CALL.

2. ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED IN THE AGENDA.

3. PUBLIC COMMENT.
   Opportunity for members of the public to address the Committee. (Government Code Section 54954.3).

4. ACTION AGENDA.
   The following items on the Action Agenda call for discussion and action by the Committee. All items are placed on the Agenda so that the Committee may discuss and take action on the item if the Committee is so inclined, including items listed for information.

   A. Consideration of Water Education for Latino Leaders Associated Membership Program 2020
   B. Review of FY 2020-21 Five-year Financial Plan Assumptions (Information Item)

5. CLOSED SESSION.
   At any time during the regular session, the Committee may adjourn to closed session to discuss real property matters within the attorney-client privilege, subject to the appropriate disclosures. (Government Code Section 54956.8).

6. NEXT MEETING DATE: Wednesday, April 1, 2020 at 4:30 p.m.

7. ADJOURNMENT.

This agenda was posted at least seventy-two (72) hours before the meeting in a location freely accessible to the Public on the exterior bulletin board at the main entrance to the Authority’s office and it is also posted on the Authority’s website at www.sweetwater.org. No action may be taken on any item not appearing on the posted agenda, except as provided by California Government Code Section 54954.2. Any writings or documents provided to a majority of the members of the Sweetwater Authority Governing Board regarding any item on this agenda will be made available for public inspection at the Authority Administration Office, located at 505 Garrett Avenue, Chula Vista, CA 91910, during normal business hours. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Board Secretary at (619) 409-6703 at least forty-eight (48) hours before the meeting, if possible.

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A Public Water Agency
Serving National City, Chula Vista and Surrounding Areas
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February 28, 2020

Ms. Leslie Payne
Public Affairs Manager
Sweetwater Authority
P.O. Box 2328
Chula Vista, CA 91912

Subject: WELL Associate Membership Program

Dear Ms. Payne:

It brings me great pleasure to invite you to become part of our inaugural WELL Associate Membership program. Water Education for Latino Leaders (WELL) has been at the forefront of water education from its inception in 2013 and has transformed local communities throughout California. Through our efforts, we have been able to engage, educate, and build a network of water leaders who strive to support a resilient environment for all Californians.

WELL has a seven-year track record of success in educating California’s emerging elected officials on state water policy. To date, WELL has worked with more than 400 locally elected leaders who have attended our annual conferences, regional roundtables, regional legislative water workshops, and WELL UnTapped Fellowship program events.

By becoming a WELL Associate Member, you will have access to all of WELL’s programs, including educational forums, annual conferences, and an opportunity to participate in a statewide network. This networking opportunity gives your organization access to local as well as statewide elected officials who are also leaders within WELL. These leaders share a vision to provide clean, affordable, and accessible water to all Californians. It is through these relationships that WELL is able to provide educational opportunities and pivotal resources to elected leaders.

Your Associate Membership will further enable your organization’s agenda by bringing it to the next level of networking. In our experience, it is through collective knowledge and shared forums that your work will be elevated in ways that support your organization’s goals and objectives. Because WELL is a statewide leader in providing water education to local elected leaders, your Associate Membership will strengthen your organization’s platform. Moreover, WELL offers an Associate Membership benefits package that includes three levels, so that you will have the opportunity to choose a package that is the best fit for you and your organization.

We partner with the Latino Caucus of the League of Cities as well as the African-American and Asian-Pacific Islander caucuses. WELL’s other partners include the National Association of Latino Elected and Appointed Officials (NALEO), the California Contract Cities Association, the Independent Cities Association, and many others.

Please contact Alma Marquez, Executive Director of WELL, at Alma@latinosforwater.org or via phone at (323) 349-0661 for more information or to discuss the Associate Membership opportunity benefits package attached to this letter.

Sincerely yours,

Victor Griego
Founder and President

WELL Advisory Council Members: Victor R. Griego, Jr. Founder and President, WELL, Miguel A. Luna, Principal of DakeLuna, Tony Estremera Director of Valley Water, Tonia Reyes Uranga, Former Long Beach City Councilmember, Diana Mahmud, Councilmember, City of South Pasadena, Carmen Ramirez, Councilmember, City of Oxnard, Irais Lopez-Ortega, Councilmember, City of Calistoga
ASSOCIATE MEMBERSHIP

ABOUT WELL
In the past eight years, WELL has become an established, leading educational force bringing together water experts from throughout the state to address the growing water crisis in California.

Latinos represent nearly 40% of California’s population, but only 2% of elected water officials and water policy professionals. To ensure that local Latino elected officials have a greater reach among their constituents, WELL educates them on California water policies. Our aim is to promote timely and equitable actions that help local leaders to develop a robust economy, healthy communities, and a resilient environment for all Californians.

That is why WELL believes that the next generation of water leaders needs an inclusive forum to learn the issues, engage with elected officials and water experts, and form a constituency that is prepared to manage water with a 21st-century toolkit.

ASSOCIATE MEMBER BENEFITS
WELL has a proven eight-year track record of educating Latino leaders on water policies and issues in order to support systemic change. We launched the Associate Membership this year to expand our educational efforts by partnering with other organizations with the same values. WELL is committed to providing you, as an Associate Member, with benefits that will support your district’s vision to provide clean water for a healthy life, environment, and economy. WELL’s programs enable members to form better community partnerships and relationships with local Latino leaders.

Community partnerships are pivotal in the work of water agency leaders who seek to serve their customers. Your organization makes critical decisions that affect thousands of consumers. With WELL’s partnership, your organization will have access to Latino leaders who share similar interests and will work with you to support the best decisions in solving California’s water challenges. Your participation is a key component to our mutual continued success. Memberships must be updated annually.

ASSOCIATE MEMBERSHIP BENEFITS & LEVELS

<table>
<thead>
<tr>
<th>MEMBERSHIP BENEFITS</th>
<th>Platinum</th>
<th>Gold</th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>An opportunity to be a Featured Speaker at the WELL Annual Conference</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your organization will be featured as an Associate Member on our website</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<table>
<thead>
<tr>
<th>BENEFITS &amp; LEVELS</th>
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<tbody>
<tr>
<td>Platinum</td>
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<tr>
<td>Gold</td>
</tr>
<tr>
<td>Silver</td>
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<tr>
<td>$25,000</td>
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<tr>
<td>$15,000</td>
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<tr>
<td>$10,000</td>
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<tr>
<td>Organization membership benefits additional information:</td>
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<tr>
<td>----------------------------------------------------------</td>
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</tbody>
</table>

**Be a Featured Speaker at the WELL Annual Conference:** Your organization will be invited to send a representative to be a part of one of our three panels.

**Your organization will be featured as an Associate Member on our website:** Your organization name and logo will be featured on the WELL website.

**Speaker opportunity at any of our six UnTapped program sessions:** WELL offers a six-month fellowship program to elected leaders from throughout the state. Your organization will have the opportunity to send a representative to speak at any of six sessions.

**An acknowledgement in the opening remarks at the WELL Annual Conference:** Associate Members will be given a verbal thank you at the WELL Annual Conference opening remarks.

**Recognition in the WELL e-newsletter:** Your organization will be recognized in the WELL monthly e-newsletter as a membership organization.

**Invitation to be a part of the conference planning committee with public acknowledgements:** Your organization will be invited to have representation on the WELL Annual Conference Planning Committee. Your representative will have the opportunity to share his or her ideas on conference topics. Your organization will be publicly acknowledged for your participation on this committee.

**Name recognition in the WELL Annual Conference program:** Your organization’s name will be included in the WELL Annual Conference program as an Associate Member.
TO: Governing Board (Finance and Personnel Committee)

FROM: Management

DATE: March 13, 2020

SUBJECT: Review of FY 2020-21 Five-year Financial Plan Assumptions

SUMMARY
The Draft FY 2020-21 Five-year Financial Plan (Draft Financial Plan) is scheduled for presentation to the Board on April 22, 2020; subsequently the Draft FY 2020-21 Budget will be presented to the Board on May 18, 2020. Staff is currently developing the major assumptions used to develop the Draft Financial Plan for the Board’s review and input.

The attached FY 2020-21 Five-year Financial Plan Assumptions outlines the anticipated changes to estimated revenues and expenditures used to develop the Draft Financial Plan. Many of the assumptions will remain consistent with last year’s adopted budget. However, there are a few notable changes that will impact the Draft Financial Plan.

- Reduction in customer water use: Water use is estimated to decrease by 4 percent in FY 2020-21 and subsequent years. This estimate is based on the prior two years of actual water use. The decrease in water use will result in lower water revenues.

- Reduction to expected San Diego - CPI inflation rate (SD-CPI): The Board adopted Water Rates and Charges established a basis for an annual adjustment commensurate with the SD-CPI to keep up with inflationary costs. The FY 2019-20 SD-CPI implemented was 2.8 percent based on the July 2019 SD-CPI. The expected inflation rate for FY 2020-21 is 2 percent for the Authority’s portion of water rate adjustments in the Draft Financial Plan. The Draft Financial Plan will include operating costs that exceed the expected SD-CPI and cost savings will be necessary to produce a balanced budget.

- Reduction in available local water: Based on current demands, water will be available in the Sweetwater Reservoir through the month of July 2020. Water production for remaining 11 months of FY 2020-21 will rely on National City Wells, Reynolds Desalination Plant and an increased volume of purchased water from the San Diego County Water Authority (SDCWA). Water purchases are estimated to be approximately 500 acre feet of water from SDCWA in FY 2019-20 and increasing to 6,500 acre feet in FY 2020-21. The cost of the addition
6,000 acre feet of purchased water will be covered through a pass through of the Authority’s Wholesale Water Rate and/or the potential use of the Rate Stabilization Reserve.

- Rate Stabilization Reserve (RSR): The Board developed the Rate Stabilization Reserve (RSR) to protect ratepayers from the impact of large swings in water purchase expenditures that occur from year to year. FY 2020-21 is an example of such a swing with an expected increase in water purchases of 6,000 acre feet. The use of the RSR will be contemplated with the development of the Draft Financial Plan. The presentation of the Draft Financial Plan will provide alternatives for consideration by the Board for addressing the increase in water purchases through various combinations of adjusting the Wholesale Water Rate pass through and utilization of the RSR.

In addition, a few major initiatives are not included in the financial assumptions at this time due to uncertainty of cost and timing of events. These assumptions may be considered closer to the final production of the Draft Financial Plan or in a future year.

- Sweetwater Dam PMF Project (Project): The Project as it was proposed in the FY 2019-20 Budget is currently funded by a combination of reserve and bond funds. The Division of Safety of Dams (DSOD) has since notified the Authority that additional repair work will be required on the dam spillways. The cost of these additional requirements is unknown at this time and will need to be incorporated into the Draft Financial Plan once information is received from DSOD.

- Grant Funding for the Project: Staff has applied for a grant through FEMA to offset the construction costs of the Project. Any awarded grant funding would be used to reduce the use of reserve funding for the existing project and/or provide additional funding for the expanded scope of the Project based on DSOD requirements.

- Feasibility Study: Upon the completion of the Feasibility Study, the Board may direct staff to continue with further study and/or implement projects. The current Draft Financial Plan includes funding needed to fully develop the scope of work for any selected projects. However, funds for project construction are currently not included in the Financial Plan. Depending upon the size and scope of future projects, potential funding sources include reserve funds and/or issuance of debt.

- Water Quality Master Plan: The Board’s direction to prioritize water quality improvements will advance several capital projects to improve source of supply
management and treatment in regard to water quality. Potential funding sources for these projects include reserve funds and/or issuance of debt.

PAST BOARD ACTION
February 10, 2020  The Governing Board conducted a workshop to provide input to staff for the FY2020-21 Strategic Plan and Work Plan
January 8, 2020  The Governing Board approved the FY 2020-21 Budget Calendar
June 7, 2019  The Governing Board approved the FY 2019-20 Strategic Plan Work Plan and FY 2019-20 Budget

FISCAL IMPACT
The fiscal impact of the FY 2020-21 Five-year Financial Plan and the FY 2020-21 Budget will be presented during the Committee and Board meetings beginning in April 2020 with a proposed final budget to be presented to the Board on June 10, 2020.

POLICY
Strategic Plan Goal 3: Financial Viability (FV) – Ensure long-term financial viability of the agency through best practices, operational efficiency, and maximizing assets.
- Objective FV1 Develop an annual budget that determines yearly expenditures, incorporates a five-year projection to track fiscal stability, and guides rate-setting decision-making
  - 003.00 Review draft Budget, Five-year Projection, Financial Policies and Water Rates with the Board and public and incorporate comments

ALTERNATIVES
This item is provided for information purposes.

STAFF RECOMMENDATION
This FY 2020-21 Five-year Financial Plan Assumptions are provided for Board review and input.

ATTACHMENT
FY 2020-21 Five-year Financial Plan Assumptions
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Sweetwater Authority
Fiscal Year 2020-21
Five-year Financial Plan - Assumptions

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</tr>
</thead>
<tbody>
<tr>
<td>SWA CPI Pass-through Increase</td>
<td>2.8%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
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</table>

Increase to the portion of the water rate that funds the annual budget other than water purchases is based on the CPI inflation rate for San Diego County, per the 2018 Water Rate Study.

<table>
<thead>
<tr>
<th>Based on FY 2019-20 Five-year Financial Plan - Reserve Balances as of June 30:</th>
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<tbody>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Vista del Lago</td>
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<tr>
<td>SBID Transfer Fund (pending)</td>
</tr>
<tr>
<td>Sweetwater River Watershed Land</td>
</tr>
<tr>
<td>Debt Service</td>
</tr>
<tr>
<td>Sweetwater Dam PMF Project</td>
</tr>
<tr>
<td>National City Wells Water Quality Improvement Project</td>
</tr>
<tr>
<td>Rate Stabilization Reserve</td>
</tr>
<tr>
<td>Bond Funds</td>
</tr>
<tr>
<td>Carryover from FY19-20 to 20-21</td>
</tr>
<tr>
<td>Operating Fund</td>
</tr>
<tr>
<td>Total General Fund</td>
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Assumptions

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Total Water Supply (AF):</td>
<td>18,000</td>
<td>17,400</td>
<td>17,500</td>
<td>17,600</td>
<td>17,700</td>
<td>17,800</td>
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<td>National City Wells (AF)</td>
<td>2,015</td>
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<td>2,000</td>
<td>2,100</td>
<td>2,100</td>
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<tr>
<td>Reynold Desal Plant (AF)</td>
<td>4,800</td>
<td>5,800</td>
<td>5,800</td>
<td>6,200</td>
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<tr>
<td>Sweetwater Reservoir (AF)</td>
<td>7,585</td>
<td>400</td>
<td>2,500</td>
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<tr>
<td>Purchased Raw Water (AF)</td>
<td>3,160</td>
<td>9,200</td>
<td>7,200</td>
<td>6,800</td>
<td>6,900</td>
<td>7,000</td>
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<tr>
<td>Purchased Treated Water (AF)</td>
<td>440</td>
<td>0</td>
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<tr>
<td>SDCWA Average Raw Water Rate $/AF</td>
<td>$1,092</td>
<td>$1,135</td>
<td>$1,181</td>
<td>$1,228</td>
<td>$1,277</td>
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<td>SDCWA Raw Water Rate Increase</td>
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<tr>
<td>SDCWA/MWD Fixed Charges Increase</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
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<tr>
<td>SDCWA/MWD Fixed Charges</td>
<td>$6,110,000</td>
<td>$6,354,000</td>
<td>$6,608,000</td>
<td>$6,872,000</td>
<td>$7,147,000</td>
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<tr>
<td>Power, Chemicals &amp; Fuel Increase</td>
<td>Budget</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>Salary Increases (2)</td>
<td>Budget</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
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<tr>
<td>CalPERS Employer Contribution Rate</td>
<td>10.627%</td>
<td>10.6%</td>
<td>10.6%</td>
<td>10.6%</td>
<td>10.6%</td>
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<tr>
<td>CalPERS Employer UAL Payment</td>
<td>$3,565,500</td>
<td>$3,923,000</td>
<td>$4,214,000</td>
<td>$4,383,000</td>
<td>$4,110,000</td>
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<tr>
<td>Employee Health Insurance Premium Increase</td>
<td>Budget</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td>General Operating Expenses Increase</td>
<td>Budget</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td></td>
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</tbody>
</table>

(1) Expenditures for this project incorporate the utilization of reserve and bond funds to assist in the timed use of the 2017A Bond proceeds.

(2) Future year projected increases are for planning purposes only and do not constitute an official commitment.
REVISED

MEDIA INDEX BY AGENDA ITEM

FINANCE AND PERSONNEL COMMITTEE

Pursuant to the Executive Order N-25-20 issued by Governor Newsom, one or more Board members may participate in the meeting via teleconference.

AGENDA

DATE: Wednesday, March 18, 2020        TIME: 4:30 p.m.

1. CALL MEETING TO ORDER AND ROLL CALL. (00:14)

2. ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED IN THE AGENDA. (00:47)

3. PUBLIC COMMENT. (01:18)
   Opportunity for members of the public to address the Committee. (Government Code Section 54954.3).

4. ACTION AGENDA.
   The following items on the Action Agenda call for discussion and action by the Committee. All items are placed on the Agenda so that the Committee may discuss and take action on the item if the Committee is so inclined, including items listed for information.

   A. Consideration of Water Education for Latino Leaders Associated Membership Program 2020 (21:08)

   B. Review of FY 2020-21 Five-year Financial Plan Assumptions (Information Item) (01:33)

5. CLOSED SESSION. (25:31)
   At any time during the regular session, the Committee may adjourn to closed session to discuss real property matters within the attorney-client privilege, subject to the appropriate disclosures. (Government Code Section 54956.8).

6. NEXT MEETING DATE: Wednesday, April 1, 2020 at 4:30 p.m. (26:49)

7. ADJOURNMENT. (}