

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE, AUDIT, INSURANCE, AND REAL PROPERTY COMMITTEE

June 13, 2023

Chair Smith called the meeting to order at 8:31 a.m.

Members present: Directors Armstrong, De Jesus, Dennstedt, Dick, Fong-Sakai, Miller (entered after roll call), Quinn (entered after roll call), Seckel, and Smith.

Members absent: Directors Alvarez, Atwater, Chacon, Petersen, and Pressman.

Other Members present: Ackerman, Camacho, Erdman, Faessel, Garza, Kurtz, Lefevre, Morris, Ortega, and Peterson.

Committee Staff present: Quilizapa, Chapman, Hagekhalil, Kasaine, Ros, and Suzuki.

Director Miller entered meeting.

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

Tom Kennedy, General Manager of the Rainbow Municipal Water District commented on item 7b.

2. SUBCOMMITTEE REPORTS

A. Subject: Report from Subcommittee on Audits

Presented by: Director De Jesus

Director De Jesus reported the items discussed at the Subcommittee on Audits May 23, 2023.

B. Subject: Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Presented by: Liz Crosson, Chief Sustainability, Resiliency & Innovation Officer

Liz Crosson reported the items discussed at the Subcommittee on Long-term Regional Planning Processes and Business Modeling May 23, 2023.

CONSENT CALENDAR ITEMS — ACTION

3. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Subject: Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for May 9, 2023 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

Director Armstrong recused himself on item 7-6 as he received per diem from Eastern Municipal Water District.

4. CONSENT CALENDAR ITEMS – ACTION

- 7-3 Subject: Approve up to \$1.894 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program for fiscal year 2023/24; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.
- Motion: Approve up to \$1.894 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies and maintain the \$25 million self-insured retention for general liability coverage.
- Presented by: None; no presentation requested.
- 7-4 Subject: Approve Metropolitan's Statement of Investment Policy for fiscal year 2023/2024, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2023/2024; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: Approve the Statement of Investment Policy for fiscal year 2023/24; and delegate authority to the Treasurer to invest Metropolitan’s funds for fiscal year 2023/24
- Presented by: Samuel Small, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with key changes between the Investment Policy for fiscal year 2022/23 and 2023/24.

- 7-5 Subject: Authorize the General Manager to execute six lease/license amendments and two new license agreements for the installation and upgrade of telecommunication equipment and changes in the terms at existing telecommunication sites known as Edom Hill, Vidal Junction, Crossman Peak, Las Vegas Junction, Searchlight, Christmas Tree, and

Black Peak, and to commence occupying a new site known as Super Nap, in Southern California, Southern Nevada, and Southern Arizona, as part of Metropolitan's Desert Microwave Project; the proposed action is in furtherance of a project that was previously determined to be exempt from CEQA (Riverside County Assessor Parcel No. 659 260 030, San Bernardino County Assessor Parcel No. 0647 321 20 0000, Mohave County Parcel No. 113 02 003, Clark County Parcel Nos. 190 15 000 001; 243 34 501 019; 259 00 001 001; 176 01 801 043, and La Paz County Parcel No. 311 01 006)

Motion: Authorize the General Manager to execute six lease/license amendments and two new license agreements for the installation and upgrade of telecommunication equipment and changes in the terms at existing telecommunication sites known as Edom Hill, Vidal Junction, Crossman Peak, Las Vegas Junction, Searchlight, Christmas Tree, and Black Peak, and to commence occupying a new site known as Super Nap, in Southern California, Southern Nevada, and Southern Arizona, as part of Metropolitan's Desert Microwave Project

Presented by: None; no presentation requested

The following Directors provided comments or asked questions:

1. Dick
2. Smith

7-6 Subject: Authorize the General Manager to grant a permanent easement to Eastern Municipal Water District for the construction and operation of a pipeline northeast of Diamond Valley Lake in the city of Hemet within Assessor Parcel Numbers 464 250 002, 464 250 003, 454 270 020 and 454 270 032; the General Manager has determined that the proposed action is exempt and not subject to CEQA

Motion: Authorize the General Manager to grant a permanent 40-foot easement to Eastern Municipal Water District for water pipeline purposes northeast of Diamond Valley Lake in the city of Hemet within Assessor Parcel Numbers 464-250-002, 464-250-003, 454-270-020 and 454-270-032

Presented by: None; no presentation requested

After completion of the presentations, Director Dennstedt made a motion, seconded by Director De Jesus, to approve the consent calendar consisting of item 3A, 7-3, 7-4, 7-5, and 7-6.

The vote was:

Ayes: Directors Armstrong, De Jesus, Dennstedt, Dick, Fong-Sakai, Miller, Seckel, and Smith
Noes: None
Abstentions: Director Fong Sakai (item 3A)
Not Voting: Director Armstrong (item 7-6)
Absent: Directors Alvarez, Atwater, Chacon, Petersen, Pressman, and Quinn.

The motion for items 7-3, 7-4, 7-5 passed by a vote of 8 ayes, 0 noes, 0 abstain, and 6 absent.

The motion for Item 3A passed by a vote of 7 ayes, 0 noes, 1 abstention, and 6 absent.

The motion for Item 7-6 passed by a vote of 7 ayes, 0 noes, 0 abstention, 1 not voting and 6 absent.

END OF CONSENT CALENDAR ITEMS

5. OTHER BOARD ITEMS – ACTION

None

6. BOARD INFORMATION ITEMS

9-2 Subject: Introduction of Ordinance No. 152: 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
Presenter: None

Ms. Kasaine introduced the item.

7. COMMITTEE ITEMS

a. Subject: Quarterly Investment Activities Report

Presented by: Samuel Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of Metropolitan's investment activities portfolio through March 31, 2023. The report included portfolio statistics, maturity and credit quality breakdown, and earnings projection.

The following Directors provided comments or asked questions:

1. Smith

2. Dick
3. Dennstedt
4. Fong-Sakai

Staff responded to Directors' comments and questions.

b. Subject: Annexation Policies within Metropolitan's Current Boundaries

Presented by: Ethel Young, Resource Specialist
Cathy Stites, Chief Deputy General Counsel

Mr. Chapman introduced the item and Ms. Young presented the committee with Metropolitan's service area map, annexation process, and the annexation fee calculation methods. Her presentation also included per-acre annexation charges from 2013 through 2023, Annexations from 2013 through 2023, and Member Agency annexations from 2013 through 2023. Cathy Stites continued the presentation with review of the laws relevant to Metropolitan's annexation process including MWD act and LAFCO.

The following Directors provided comments or asked questions:

1. Ortega
2. Armstrong
3. Camacho
4. Smith
5. Quinn
6. Peterson
7. De Jesus
8. Miller
9. Dennstedt
10. Kurtz
11. Garza

Staff responded to Directors' comments and questions.

Director Quinn entered the meeting.

8. MANAGEMENT REPORTS

a. Subject: Chief Financial Officer's report

Ms. Kasaine presented the committee with an overview of the 2023 Series A Bonds. Her presentation included the bond financing team, adopted CIP Projections, transaction summary, Metropolitan's debt profile, and rating agency highlights.

b. Subject: General Auditor's Report

Mr. Suzuki updated the committee on the General Auditor's activity through May 31, 2023. His report included an update on projects in progress, reports, pending projects, and follow-up items. He then highlighted the refresh of the audit risk assessment methodology, continued work on the upgrade to the project management system, department assessment, and quality assessment of the Audit department.

The following Director provided comments or asked questions:

1. Ortega
2. De Jesus

Staff responded to the Director's comments and questions.

c. Subject: Real Property Group Manager's Report

Mr. Chapman acknowledged the Real Property staff that received the IRWA young professionals of the year and updated the committee on the desert housing tours with Directors.

The following Director provided comments or asked questions:

1. Smith
2. De Jesus
3. Garza

Staff responded to the Director's comments and questions.

9. FOLLOW-UP ITEMS

Chair Ortega proposed creating an Ad Hoc Committee on Annexation Policies.

10. FUTURE AGENDA ITEMS

None

11. ADJOURNMENT

The next meeting will be held on July 11, 2023.

Meeting adjourned at 10:18 a.m.

Timothy Smith
Chair