

**CONTRA COSTA WATER DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING
September 15, 2021**

MINUTES

CALL TO ORDER

President Borba called to order a regular meeting of the Board of Directors of the Contra Costa Water District (District or CCWD) at 6:47 p.m., at 1331 Concord Avenue, Concord, the regular meeting place of the Board. Pursuant to Governor Newsom's Executive Orders, the public may participate in the meeting in-person at the Board Room or through the teleconference.

SAFETY BRIEFING

The safety protocols completed by the Board and staff participating in-person were provided.

ROLL CALL

Directors Present:	Lisa M. Borba, President Ernesto A. Avila, Vice President John A. Burgh Connstance Holdaway Antonio Martinez
Directors Absent:	None
General Manager:	Stephen J. Welch
Legal Counsel:	Douglas E. Coty
District Secretary	Veronica Sepulveda
Executive Management Analyst	Shelly Wise

PLEDGE OF ALLEGIANCE

Vice President Avila led the pledge of allegiance.

ADOPTION OF AGENDA

The Board adopted the agenda by rule.

PUBLIC COMMENT (Please observe a three-minute time limit)

President Borba asked for public comment. Christine Helton, District employee, announced her recent decision to resign from the District, due to disheartening concerns with the General Manager's comments regarding the vaccine exemptions and testing mandate, stated at the General Manager's Town Hall, on August 10. Ms. Helton stated the lack of information provided to employees, following the meeting, was careless and not in the best interest of the District.

Joe Kavolick, Diablo Water District, spoke in support of the COVID vaccine.

CONSENT CALENDAR

1. Approve Directors' Services/Business and Travel Expenses
 - a. Future Services – September/October 2021
 - b. Expenses – August 2021
 - c. Compensation – August 2021
2. Approval of August 18, 2021 meeting minutes.
3. Approve the warrant register dated September 16, 2021.

President Borba asked if anyone wanted to remove an item from the Consent Calendar to be separately considered. There were no items removed. There were no Board or public comments on the consent calendar.

MOTION: Holdaway/Martinez to approve the consent calendar. The motion was approved by roll-call vote (Ayes: Avila, Borba, Burgh, Holdaway, Martinez; Noes: None; Abstain: None; Absent: None).

ACTION

4. Approve the terms and conditions of employment with Unrepresented employees and the Confidential Unit employees, for the term of October 3, 2021 through October 2, 2022, including a base salary adjustment of 4.3 percent effective September 20, 2021.

General Manager Welch provided a brief overview of the Agreement, stating the proposed salary adjustment is in line with the current Consumer Price Index for San Francisco and consistent with agreements for other bargaining units within the District.

President Borba asked for Board comments. President Borba expressed appreciation to the employees within the Confidential Unit for their great work and leadership. President Borba asked for public comment, there were none.

MOTION: Avila/Holdaway to approve the terms and conditions of employment with Unrepresented employees and the Confidential Unit employees, for the term of October 3, 2021 through October 2, 2022, including a base salary adjustment of 4.3 percent effective September 20, 2021. The motion was approved by roll-call vote (Ayes: Avila, Borba, Burgh, Holdaway, Martinez; Noes: None; Abstain: None; Absent: None).

5. Investment Policy Annual Review
 - a. Conduct the annual review of the District's Investment Policy in accordance with Section 53646 of the California Government Code; and
 - b. Adopt Resolution No. 21-016 amending Chapter 7.16 of the District's Code of Regulations allowing Asset Backed Securities as an authorized investment type and increase the allowable percentage of short-term commercial paper in the portfolio to 40 percent.

Accounting Manager Nicole Snegosky provided an overview on the purpose and composition of the District's investment policy and reviewed the two proposed amendments.

The first proposed amendment is to add asset backed securities as an authorized investment type, this will allow value to be backed by receivables with an AA rating or above, limited to 20 percent of portfolio with 10 percent max in a single corporate issue and provide additional opportunities to enhance the portfolio's return when interest rates are extremely low. The second amendment is to increase the allowable percentage of short-term commercial paper from 15 percent to 40 percent, which is consistent with the recent changes to the California Government Code.

President Borba asked for Board comments. Vice President Avila expressed his support for the item and thanked staff for their work. President Borba asked for public comment, there were none.

MOTION: Avila/Holdaway to Adopt Resolution No. 21-016 amending Chapter 7.16 of the District's Code of Regulations allowing Asset Backed Securities as an authorized investment type and increase the allowable percentage of short-term commercial paper in the portfolio to 40 percent.

The motion was approved by roll-call vote (Ayes: Avila, Borba, Burgh, Holdaway, Martinez; Noes: None; Abstain: None; Absent: None).

6. FY21 Year-End Financial Results and Review

- a. Review and approve amendment to the District's Reserve Policy;
- b. Authorize a transfer of \$4.7 million from unrestricted reserves to the Drought Contingency Reserve;
- c. Authorize a transfer of \$300,000 from unrestricted reserves to the Los Vaqueros Reservoir Refill Reserve;
- d. Authorize a transfer for \$10.4 million from Capital Improvement Reserve to unrestricted reserves;
- e. Authorize a transfer of \$195,425 from the Canal Replacement Reserve to unrestricted reserves; and
- f. Authorize a transfer of \$36,659 from the Emergency Response Reserve to unrestricted reserves.

Rate and Finance Analyst Celia Cheung presented an overview of the FY21 year-end financial results and reserve allocations. The District ended the year with a net of \$15.3 million financial plan benefits, which will allow the District to be in a better position to absorb financial impacts as the pandemic and drought may worsen.

The operating revenues for FY21 were \$175.4 million and resulted in \$10.7 million financial benefits. The majority of the results came from water sales and facility reserve charges. Water sales were 3 percent higher than budget, due to dry conditions and poor water quality increasing customers water use. The City of Antioch reported water usage was the highest in the last 10 years and the District's residential customers had the highest water usage in 7 years.

Delinquencies have also increased due to COVID. As of June 30, the delinquency account balances were more than \$450,000, spread over 800 accounts. In efforts to offset, the State has released rent relief program payments, which the District has received about \$2,000, thus far. Staff will continue to monitor and provide updates to the Board.

Due to the increase housing developments, particularly in Antioch and Oakley, the facility reserve charges were \$5.4 million higher. Interest income came in -\$0.7 less than budget, due to the low interest rate market. While the District is earning less in interest income, the offset is paying less in interest expenses. Property taxes also increased by \$0.1 million and other miscellaneous revenues increased by \$1.2 million.

Total expenditures were \$170.9 million for FY21, resulting in \$4.6 million financial benefits. Operating expenditures came in \$2.7 million lower than budget, due to less outside services across all departments. Debt services were \$0.9 million lower, due to the low interest rate market and capital expenditures resulted in cost savings of \$0.7 million, due to less rate funded expenditures. Of the \$58 million capital project budget, \$17.7 million was rebudgeted to FY22 to allow for planned work to continue. In June 2021, the Board authorized a rebudget of \$21.5 million for FY21 capital projects, the final rebudget resulted in a difference of \$3.8 million.

The Reserve Policy was established to ensure the District has sufficient funding available to meet operating, capital, and debt service obligations. Since the District does not currently meet the six-month unrestricted reserves policy requirement, the proposed change is to allow the consideration of both the rate stabilization reserves and unrestricted reserve balances to meet the six-month minimum operating reserve target, in any period. This change will also allow more flexibility in designating more funds in specific reserves, for example the drought contingency reserve. The second recommendation is to change the Capital Improvement Reserve balance calculation from a full year to 3-year historical average of capital spend.

Due to potential worsening drought conditions, financial impacts, aging infrastructure investment needs, and unknown impacts of the ongoing COVID-19 pandemic, staff recommends the following allocation requests: \$4.7 million for the Drought Contingency Reserve, \$0.3 million for the Los Vaqueros Reservoir Refill Reserve and to retain \$7.7 million in operating reserves. In addition, other reserve allocations are recommended for capital improvements, canal replacement, and emergency response.

President Borba asked for clarification regarding the outstanding receivables for the Los Vaqueros Expansion project. Rate and Finance Analyst Cheung responded the outstanding receivable amount reflects the balance as of June 30, 2021, and since then the District has received \$1.9 million from the Water Commission.

President Borba asked for Board comments. Director Holdaway thanked staff for the report and expressed appreciation for recommending more money for the drought reserve.

Vice President Avila commended Rate and Finance Analyst Cheung on the presentation and expressed support for all recommendations, specifically the recommendation to transfer money to the Drought Contingency Reserves, as it is a much-needed program.

Director Burgh expressed appreciation for the report; looks forward to the presentation each year.

Director Martinez expressed appreciation for the presentation and support for the recommendations.

President Borba provided comments in favor of the proposed amendments to the reserve policy; expressed disappointment customers are not conserving water. President Borba asked for public comment, there were none.

MOTION: Martinez/Burgh to Authorize a transfer of \$4.7 million from unrestricted reserves to the Drought Contingency Reserve; Authorize a transfer of \$300,000 from unrestricted reserves to the Los Vaqueros Reservoir Refill Reserve; Authorize a transfer for \$10.4 million from Capital Improvement Reserve to unrestricted reserves; Authorize a transfer of \$195,425 from the Canal Replacement Reserve to unrestricted reserves; and The motion was approved by roll-call vote (Ayes: Avila, Borba, Burgh, Holdaway, Martinez; Noes: None; Abstain: None; Absent: None).

REPORTS FOR DISCUSSION

7. Schedule Future Meeting Dates and Times

President Borba asked for Board comments. Vice President Avila reported the Federal Affairs Committee meeting was moved to September 16 and requested Board concurrence on attending the ACWA Region 6 & 7 San Joaquin Valley Water Forum in Coalinga on October 8. All Board members concurred.

REPORTS

8. General Manager

General Manager Welch reported the District is working hard to improve water quality; reported the taste and odor reports have decreased; and the Bette Boatman dedication event was cancelled and will be postponed until Spring 2022, due to COVID concerns.

General Manager Welch provided insight and clarification to the Board regarding the Town Hall meeting referenced by the District employee during public comment.

9. Legal Counsel

Legal Counsel Coty reported the two bills set to enable the District to continue meeting by teleconference are currently pending, but expected to be signed before November 30. It was also reported that at the ACWA Fall Conference there will be a program on Water Theft; Assistant General Manager Rachel Murphy was asked to participate in the program.

10. Board Members

Director Burgh reported giving a presentation at Pleasant Hill City Hall; thanked Public Information Specialist Mimi Mehaouchi for the assistance with several technical difficulties.

Director Martinez reported attendance to and provided comments on the Industrial Association Forum with Congressman DeSaulnier on September 15 and the Operations and Engineering Committee on September 8.

Vice President Avila reported attendance to and provided comments on the Operations and Engineering Committee, ACWA Federal Affairs Committee meetings, ACWA Region 5 Board meeting, and the presentation to the Walnut Creek Chamber of Commerce.

President Borba reported attending the Mayor's Conference on September 2, meeting with the General Manager on September 7 and 14, and facilitating a tour for Congressman Harder on September 9; announced upcoming presentation to Dana Estates on September 27.

CLOSED SESSION

11. Conference with Legal Counsel – Existing litigation pursuant to paragraph (1) of subdivision (d) of Section 54956.9: (Fred Simon v. Contra Costa Water District; Contra Costa Superior Court Case No. C20-01382).

At 7:58 p.m. President Borba announced the Board would move into a closed session regarding existing litigation. Additional attendees included District Labor Council, Joe Wiley.

RECONVENE FROM CLOSED SESSION

12. Report on Closed Session

At 8:11 p.m. President Borba announced the Board had returned from closed session and did not take a reportable action

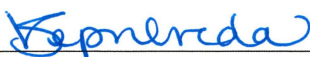
ADJOURNMENT

At 8:12 p.m. President Borba adjourned the meeting. The next regular meeting of the Board of Directors will be on Wednesday, October 6, 2021 commencing at 6:30 p.m. in the Board Room located at 1331 Concord Ave. and via teleconference.



Lisa M. Borba, President

Attest:



Veronica Sepulveda, District Secretary