



## MINUTES OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

Tuesday, **August 6, 2019 at 9:00 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

### MINUTES

1. Convene Meeting 9:00 a.m.  
Roll Call: S. Artchitzel, L. Sanders, B. Fultz, L. Henry  
Staff: R. Rogers, S. Hill, H. Hossack

2. Oral Communications: None

3. Old Business: None

4. New Business:
  - A. YEAR END AUDIT PROCESS

S. Hill introduced this item. She was asked to show the process for the annual audit. April/May the process starts with getting ready for yearend inventory, the auditors do an interim audit testing certain controls. Through June/July/August we are still getting invoices related to the prior fiscal year. A complete trial balance is coordinated with the auditors. The reports aren't complete until August/Sept. Final report from the auditors will be in Nov./Dec.

L. Sanders thanked S. Hill saying she seems very comfortable discussing this process. He questioned if the accountant position listed on the Org Chart is a CPA.

S. Hill said that the accountant is not a CPA.

S. Architzel said the auditors are CPAs, he believes.

Discussion by the Committee and staff regarding auditors.

L. Sanders questioned the size of organization the auditors consider SLVWD and SMGWA to be.

S. Hill said SLVWD is small and SMGWA is extra small.

L. Sanders questioned the annual cost to the rate payers for the audit.

S. Hill said the audit is approximately \$25,000.

S. Architzel noted that the District has used the same accounting firm for a number of years.

S. Hill we have a 3-year contract, with a possible 2-year extension, so it's a 5-year contract. They change partners midway through. We will be going out with an RFP for selecting the next firm when their term is over.

S. Architzel noted that just so people are aware; one way for audit firms to maintain independence is by having forced rotation of partners.

L. Henry found errors in the audit when she was with Lompico Water Dist. The County said it was time for a change.

D. Loewen made a comment about Lompico.

V. Champlin asked what is the metric for small or large?

Discussion by Committee, staff and public regarding size of District. Financial metric. S. Hill will ask the auditors what the metric is for determining size of a District.

Discussion by Committee and staff regarding schedule for audit.

## B. CALPERS PENSION LIABILITY

S. Hill introduced this item. CalPERS is the largest pension provider in the nation. Meeting projected yields impact actuarial reports. They have changed a lot of assumptions over the last few years.

B. Fultz said that he heard the California public agencies are underfunded by \$800,000,000 billion.

S. Hill continued with her presentation.

B. Fultz asked what is the District's total liability?

S. Hill said the report comes out in August but the August 2018 report is approx. \$4million.

B. Fultz asked what is the annual payroll?

S. Hill she doesn't have that information off the top of her head.

Discussion by the Committee and staff regarding unfunded liability.

Discussion by Committee and staff regarding alternatives to CalPERS.

B. Fultz shared his plan for unfunded liabilities.

L. Sanders questioned if we are allowed to form a sub-committee that just looks at CalPERS?

B. Fultz said that the Committee and Board need to educate ourselves. Unfunded liabilities need to be articulated to the public.

S. Hill explained that CalPERS has new Chief Investment Officer that is addressing CalPERS approach to addressing these issues.

Discussion by Committee and staff regarding unfunded liability.

S. Hill explained the amortization schedules.

Discussion by Committee and staff regarding amortization.

S. Architzel questioned what stops us from taking a loan with a lower interest rate and paying this down?

S. Hill there are laws that won't allow that.

Discussion by Committee and staff regarding taking out debt to pay operational costs.

V. Champlin said CalPERS has always been more than naïve about their opportunities and if it's our only choice, Stephanie's strategy of learning how best to play the game is probably the best strategy.

Discussion by Committee, staff and public regarding debt strategy.

S. Hill introduced the Analysis of Discount Rate Sensitivity.

Discussion by Committee and staff regarding next steps for funding unfunded liability.

V. Champlin questioned the current assumption.

Discussion by Committee, staff and public understanding pool fund.

S. Hill introduced the Hypothetical Termination Liability.

Discussion by Committee and staff regarding termination.

S. Hill said this has been an overview. There will be more information to follow.

L. Sanders questioned the CalPERS seminar.

S. Hill said that the seminar was free and she was the only employee to attend.

C. OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY

S. Hill introduced this item. The District offers medical benefits after retirement through CalPERS.

Discussion by the Committee and staff regarding OPEB pay as you go.

B. Fultz stated his understanding of the OPEB process.

Discussion by Committee and staff.

5. Informational Material: None.

6. Adjournment 10:43 a.m.