



THREE VALLEYS MUNICIPAL WATER DISTRICT SPECIAL BOARD MEETING WORKSHOP MINUTES

California State Polytechnic University, Pomona
Kellogg West Conference Center – Valley Vista
3801 W. Temple Ave.
Pomona, CA 91768

December 16, 2024 – 8:30 a.m.

1. CALL TO ORDER

The Special Board Meeting Workshop was called to order by President Roberto at 8:36 a.m. at Kellogg West Conference Center, Valley Vista.

2. ROLL CALL

Roll call was taken with a quorum of the Board present.

DIRECTORS PRESENT

Jody Roberto, President
Mike Ti, Vice President
Carlos Goytia, Secretary/Treasurer
David De Jesus, Director
Jeff Hanlon, Director
Bob Kuhn, Director
Jorge Marquez, Director

STAFF PRESENT

Matthew Litchfield, General Manager
Steve Kennedy, Legal Counsel
Nadia Aguirre, Executive Board Secretary
Kirk Howie, Chief Administrative Officer
Steve Lang, Chief Operations Officer
Sylvie Lee, Chief Water Resources Officer
Viviana Robles, Human Resources/Risk Manager
Jose Velasquez, Chief Finance Officer

Other attendees present: Denisa Marc, Fieldman, Rolopp, & Associates; Robert Porr, Fieldman, Rolopp, & Associates; Charles Wilson, PC Consulting Services, Inc.

3. PUBLIC COMMENT

President Roberto opened public comment and there was none.

4. BOARD OF DIRECTORS WORKSHOP FACILITATED BY CHARLES WILSON

Reserve Policy and Debt Policy

Mr. Porr from Fieldman, Rolopp, & Associates provided an update on the Reserve Policy and Debt Policy. Proposed changes to the Debt Management Policy are as follows:

- Include limitations on the issuance of variable rate debt, to be no more than 30% of outstanding debt
- Update references for "Financial Advisor" to "Municipal Advisor"
- Modify term and acronym to Annual Comprehensive Financial Report (ACFR)
- Include a section on CDIAC's Annual Debt Transparency Reporting requirements, effective January 1, 2017, pursuant to Government code section 8855(k)
- Added clarity that potential Continuing Disclosure requirements include the annual update of certain financial information and preparation of material event notices
- Refer to advice from the Municipal Advisor in connection with the selection of an Underwriter
- Update language for the Disclosure Counsel subsection allowing the same firm to be used for Bond Counsel and Disclosure Counsel services

Proposed Reserve Policy target levels were reviewed and are listed on the attached PowerPoint. The Reserve Policy and Debt Policy will be brought back to a future Board of Directors meeting for further discussion and consideration of approval.

Board Member Stipend

The Board discussed increasing the stipend to \$275 per meeting attended. The Board directed staff to agendaize this item for the January 15, 2025 Board of Directors meeting for further discussion and direction on commencing the process.

CY 2025 Selection of Officers

The Board agreed to present the following Slate of Officers at the December 18, 2024 Board of Directors meeting for consideration of approval.

NAME	POSITION
Ti	President, Division V
Goytia	Vice President, Division VII
Hanlon	Secretary/Treasurer, Division I
De Jesus	Director, Division IV
Kuhn	Director, Division II
Marquez	Director, Division III
Roberto	Director, Division VI

CY 2025 Board Appointments

The Board agreed to present the following Appointments at the December 18, 2025 Board of Directors meeting for consideration of approval.

COMMITTEE / BOARD	REPRESENTATIVE	ALTERNATE
ACWA Region 8 Delegate	Kuhn	Ti
ACWA / JPIA Representative	De Jesus	Kuhn
Chino Basin Watermaster	Kuhn	De Jesus
City of Pomona	Goytia	Marquez
Main San Gabriel Basin Watermaster	Hanlon	Marquez
MWD Board Representative	De Jesus	N/A
PWR Joint Water Line Commission	Goytia	Roberto
Rowland Water District	Ti	Roberto
San Gabriel Basin WQA	Kuhn	Roberto
San Gabriel Valley Chamber of Commerce	Roberto	Marquez
San Gabriel Valley Council of Governments (SGV-COG)	Goytia	Marquez
San Gabriel Valley Economic Partnership (SGVEP)	Roberto	Ti
Six Basins Watermaster	Hanlon	Roberto
Southern California Water Coalition	Roberto	Ti
Spadra Basin GSA	Goytia	Roberto
Walnut Valley Water District	Roberto	De Jesus

Holiday Schedule

The Board discussed adding two (2) new holidays to the holiday schedule effective CY 2025. The new holidays are Martin Luther King Jr. Day and one (1) floating holiday per year to be applied to a holiday of cultural significance. This item will be brought back to the January 15, 2025 Board of Directors meeting for consideration of approval.

Southern California Water Coalition (SCWC) Membership

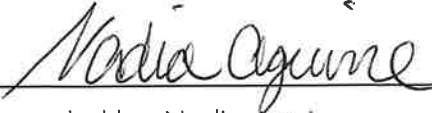
The Board discussed joining the SCWC as a member at the Advisory level membership of \$2,500. Other membership levels will be discussed in the future. This item will be brought back to the January 15, 2025 Board of Directors meeting for consideration of approval.

5. ADJOURNMENT

President Roberto adjourned the Special Board of Directors Meeting Workshop at 12:15 p.m. to the next regular meeting scheduled for Wednesday, December 18, 2024.



Mike Ti
President, Board of Directors



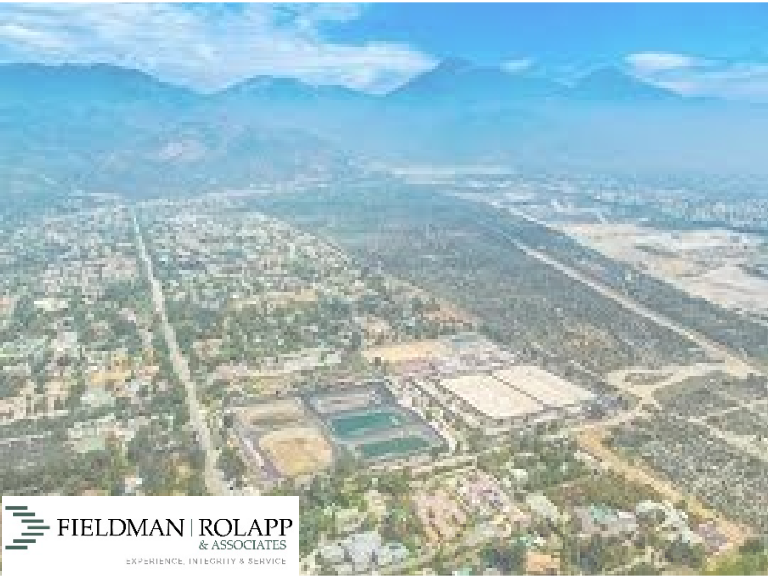
Recorded by: Nadia Aguirre
Executive Board Secretary



Three Valleys Municipal Water District

December 16, 2024

 **FIELDMAN | ROLAPP
& ASSOCIATES**
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Financial Policy Framework

Debt Policy Overview

Policy objective is to establish procedures for the issuance and management of debt

- Demonstrates commitment to best practices in debt management planning and execution
- Process for compliance with regulations imposed by the State and federal governments
- Provides a basis for determining appropriate debt structures
- Offers flexibility to match debt structure with capital needs
- Identifies capital projects for funding
- Enhances decision-making process

Debt Management Policy Role

Establish debt issuance standards and limitations

- For example, requirement of identified sources of repayment
- Process for evaluating the ability to issue and afford debt

Establish procedures for evaluating funding sources for capital

- Details bond structuring criteria
- Integration of any debt decision with capital planning and prudent financial planning
- Sets outstanding debt limitations to maintain credit quality, e.g., maintain appropriate debt service coverage levels
- Meets the goals of equitable treatment of all Member Agencies, both current and future, by spreading out cost of projects over useful life

Document commitment to administrative procedures and demonstrate excellent management

- Process to observe debt covenants, continuing disclosure, and record keeping requirements, rating agency communication, etc.

Debt Management Policy Revisions

Upon review, Fieldman proposes the following revisions to the District's Debt Management Policy:

- Include limitations on the issuance of variable rate debt, to be no more than 30% of outstanding debt
- Update references for "Financial Advisor" to "Municipal Advisor"
- Modify term and acronym to Annual Comprehensive Financial Report (ACFR)
- Include a section on CDIAC's Annual Debt Transparency Reporting requirements, effective January 1, 2017, pursuant to Government code section 8855(k)
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Reserve Policy Objectives

Provides a general framework that allows the flexibility to adjust to changing economic, political, financial, and environmental factors



Reserves: thinking as “savings” for future needs



Focuses on future funding needs and cash flow requirements



Enables District to maintain or enhance credit ratings



Integrates the District’s budget, rate structure, and capital improvement plan



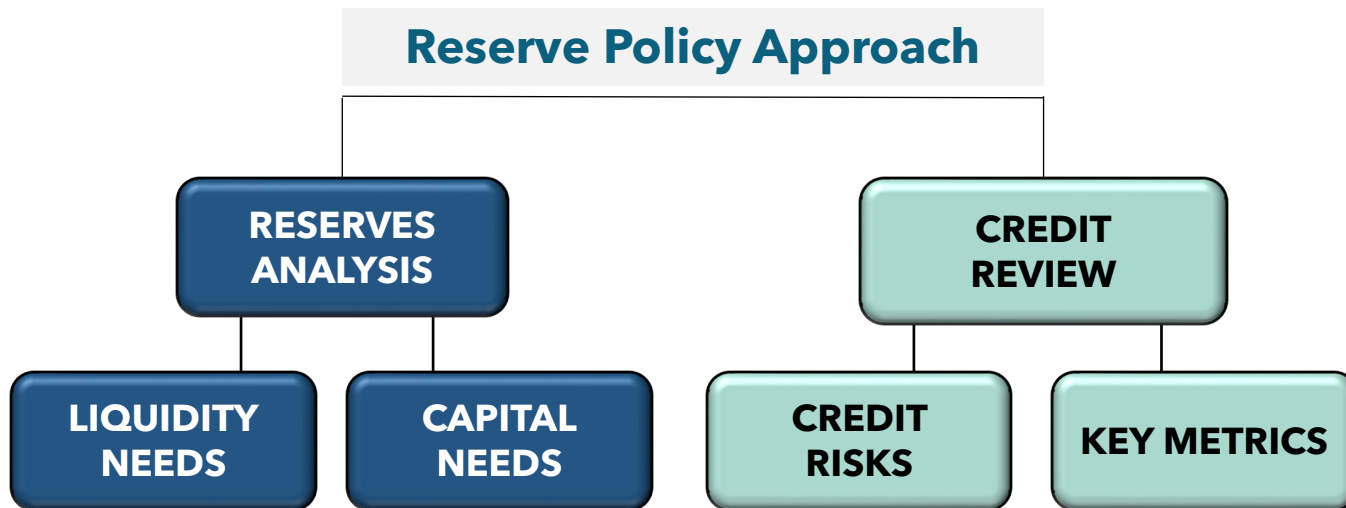
Factors in District’s capital structure (methods of financing) - the mix of debt, reserves, and Pay-Go financing



Describes the purpose and types of reserves (i.e., Restricted and Unrestricted, Operating and Capital)

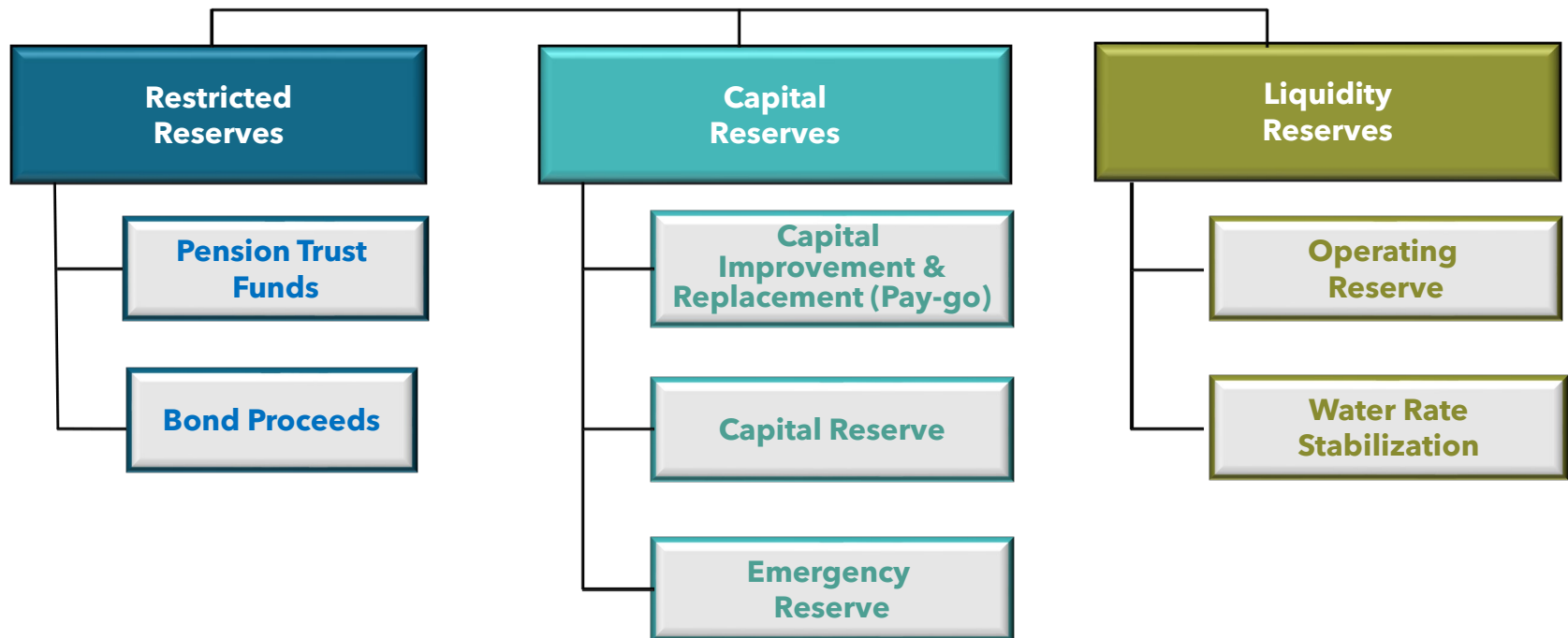
Reserve Policy Role

- **Funding Strategies:** Meet operating, emergency, and capital structure needs
- **Access to Financial Markets:** strive for a specific rating category (best position to access the market and secure cost-efficient funding in the future)
- **Debt Ratings:** Maintain liquidity and debt ratios to position the District to obtain high credit ratings



Reserve Policy Features

- The Policy should address:
 - ✓ Defined use and purpose
 - ✓ Set target levels w/minimum and maximum amounts
 - ✓ Identify events or conditions that prompt the use of reserves
 - ✓ Periodic review of reserve balances and rationale for maintaining them



Proposed Reserve Policy Target Levels

Reserve Fund		Funding Levels		
		Minimum	Target	Maximum
Unrestricted Reserves				
1	Operating Reserve (Working Capital)	15% of annual operating expense budget, net of imported water costs and pass-through costs, interest expense, depreciation and amortization, plus \$2 million	25% of annual operating expense budget, net of imported water costs and pass-through costs, interest expense, depreciation and amortization, plus \$2 million	50% of annual operating expense budget, net of imported water costs and pass-through costs, interest expense, depreciation and amortization, plus \$2 million
2	Emergency Reserve	4.5% of net replacement value of the District's capital assets, net of depreciation	6% of net replacement value of the District's capital assets, net of depreciation	8% of net replacement value of the District's capital assets, net of depreciation (no more than \$10,000,000)
3	Capital Improvement and Replacement Reserve (Pay-go)	Greater of i) \$3,500,000 or ii) R&R Pay-go projects for the next fiscal year	R&R Pay-go projects for the next three (3) years	NA
4	Major Capital Reserve	Minimum of major capital projects for the next fiscal year	Major capital projects for the next three (3) fiscal years	NA
5	Water Rate Stabilization Reserve	10% of water sales shortages over a two (2) year period	10% of water sales shortages over a three (3) year period	NA

Proposed Reserve Policy Target Levels

Reserve Fund		Funding Levels			Current Funding Levels
		Minimum	Target	Maximum	
Unrestricted Reserves					
1	Operating Reserve (Working Capital)	\$3,600,000	\$4,600,000	\$7,100,000	\$3,600,000
2	Emergency Reserve	\$1,400,000	\$1,900,000	\$2,500,000	\$1,400,000
3	Capital Improvement and Replacement Reserve (Pay-go)	\$3,500,000	\$9,600,000	\$9,600,000	\$2,700,000
4	Major Capital Reserve	\$0	\$0	\$0	\$0
5	Water Rate Stabilization Reserve	\$1,900,000	\$2,800,000	\$2,800,000	\$0
Total		\$10,400,000	\$18,900,000	\$22,000,000*	\$7,700,000
Days Cash		207	379	443	158

* District can fund Reserves higher than maximum level indicated here, per Policy requirements. Funding levels are based on reserves as of November 30, 2024, in the amount of \$7,733,846.



Conclusions

Summation

- Financial Policies provide a framework for best-practices and decision making
 - ✓ Establishes the financial foundation for operational and capital management needs
- Long-term financing is available and may be an appropriate funding mechanism for certain capital assets
- As the CIP is considered and refined, Fieldman can provide guidance on funding options and develop a financial plan to generate capital proceeds



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Questions?