

**DELTA CONVEYANCE FINANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING**

REGULAR MEETING

Thursday, May 9, 2019

9:00 a.m.

Monterey Conference Center (Stevenson 1 Meeting Room)
1 Portola Plaza, Monterey, CA, 93940, US

AGENDA

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested person must request the accommodation at least two working days in advance of the meeting by contacting support staff at (916) 347-0486 or lindastandlee@dcfinanceauthority.org

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. PUBLIC COMMENT

Members of the public may address the Executive Committee on matters that are within the Authority's jurisdiction but are not on the agenda today. Speakers are limited to three minutes each. Persons wishing to speak are requested to complete speaker cards. The Committee Chair will call individuals to the podium in turn. Speaker comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

5. OTHER MATTERS

- a. None

6. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

- a. Approval of the minutes from the October 15, 2018 Executive Committee Meeting

7. SCHEDULED ITEMS

- a. Review and recommend approval of the 2019/20 Proposed Budget
- b. Discussion of audit firms

8. REPORTS AND ANNOUNCEMENTS

- a. Executive Director's Report
- b. General Counsel's Report

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

EXECUTIVE COMMITTEE MEETING

MINUTES

REGULAR MEETING

Monday, October 15, 2018

10:00 am

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Finance Authority (DC Finance Authority) Executive Committee was called to order at 10:00 a.m. Director Record noted that as this meeting was being held by conference call, all votes would be in the held via roll call vote.

2. PLEDGE OF ALLEGIANCE

Director Record led those participating in the call in reciting the Pledge of Allegiance.

3. ROLL CALL

Executive Committee members in attendance were Randy Record, Jeff Davis (remote location), and Gary Kremen. Staff members present were Brian Thomas.

4. PUBLIC COMMENT

Director Record declared public comment open. After verifying that there were no persons wishing to address the Executive Committee from the Los Angeles location and the Rancho Cucamonga location, Director Record closed public comment.

5. OTHER MATTERS

a. None.

6. CONSENT CALENDAR

a. None.

7. SCHEDULED ITEMS

a. Approve regular meeting dates of the Executive Committee

Brian Thomas, Interim Executive Director, noted that the Joint Powers Agreement (JPA) required a meeting of the Executive Committee be held quarterly and recommended that those meetings be held in January, April, July, and October at the same meeting location currently utilized by the DC Finance Authority Board meetings.

Recommendation: Meetings to be held at 10:00 a.m. on the third Thursday of every January, April, July, and October of each year, at the Sacramento Public Library, Tsakopoulos Library Galleria, 828 I

Street, Sacramento, CA, unless otherwise modified by the Executive Committee.

Move to Recommend: Gary Kremen
 Second: Randy Record
 Yeas: 3
 Nays: None
 Abstains: None
 Recusals: None
 Absent: None
 Summary: 3 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed via roll call vote as MO 18-10-01)

b. Consider and recommend adoption of Bylaws for the Delta Conveyance Finance Authority Board of Directors

Interim Executive Director Thomas presented the draft Bylaws. Mr. Davis proposed certain changes to the Bylaws. The Executive Committee discussed the proposed changes, and added provisions to enable the Chairman of the Board to appoint committee chairs, provide for a super-majority of 2/3 to approve changes to the Bylaws, provide flexibility to add board members to the board who were not directors, staff or officers of the appointing agency, contingent upon JPA agreement revision to allow for such appointments, and certain editorial revisions.

Recommendation: Recommend approval of the Bylaws, as revised.
 Move to Recommend: Jeff Davis
 Second: Gary Kremen
 Yeas: 3
 Nays: None
 Abstains: None
 Recusals: None
 Absent: None
 Summary: 3 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed via roll call vote as MO 18-10-02)

c. Consider and recommend approval of Conflict of Interest Code for the Delta Conveyance Finance Authority

Attorney Bryan Otake gave a presentation on the proposed conflict of interest code.

Recommendation: Recommend approval of the Conflict of Interest Code
 Move to Recommend: Gary Kremen
 Second: Randy Record
 Yeas: 3
 Nays: None
 Abstains: None
 Recusals: None
 Absent: None
 Summary: 3 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed via roll call vote as MO 18-10-03)

8. REPORTS AND ANNOUNCEMENTS

a. None.

9. FUTURE AGENDA ITEMS

None.

10. ADJOURNMENT

Director Record adjourned the meeting at 10:25 a.m.

Delta Conveyance Finance Authority

Board Memo – Executive Committee

Contact: Brian Thomas, Executive Director

AGENDA DATE: May 9, 2019

Item No. 7.a

Subject

2019/20 Proposed Budget

Executive Summary

Each year, the Board of Directors is required to adopt an operating budget. The operating budget is funded in equal shares by each of the Finance Authority's members. The proposed expenditure budget (attached) totals \$597,000, with proposed revenues of \$550,600. Revenues consist of payments of \$50,000 from each member, as well as interest earnings of \$600. The difference between revenues and expenditures would be funded from reserves resulting from 2018/19 operations.

Detailed Report

As shown in Table 1, fiscal year 2019/20 revenues are expected to be just over \$550,000, similar to the fiscal year 2018/19 budget, and \$150,000 higher than projected revenues for fiscal year 2018/19. Proposed 2019/20 expenditures of \$597,000 are approximately 8.6%, or \$47,000, higher than budgeted in 2018/19. Budgeted revenues (member payments) are flat compared to the 2018/19 budget, and \$150,000 above projected revenues, as approximately \$46,000 of expenditures will be funded from reserves. The reserve balance is a result of 2018/19 expenditures being less than budget since activities were delayed as the project was reconfigured.

As described more fully in the attached Proposed Budget, the majority of anticipated expenditures are associated with managing the Finance Authority's activities, legal expenses associated with general counsel, bond counsel and disclosure counsel, expenses, accounting and treasury activities, and insurance. This budget also includes expenditures for communications, which includes maintaining the Finance Authority's own website (the Finance Authority uses the Delta Conveyance Design and Construction Authority's website). The balance of the budget is for materials and supplies and meeting expenses.

Table 1. Delta Conveyance Finance Authority 2019/20 Budget Operating Budget Sources and Uses

	Budget 2018/19	Projected 2018/19	Proposed 2019/20
Revenues			
Member Agency Payments	550,000	400,000	550,000
Interest Earnings	-	300	600
Total	550,000	400,300	550,600
Operating Expenses	550,000	290,643	597,000
Net Income	-	109,657	(46,400)
Fund Balance	-	109,657	63,257

Funding

Funding would be from equal assessments to the Finance Authority Members. Invoices of \$50,000 per Member would be delivered on August 1, with payments due on September 1, 2019.

Recommended Action

That the Executive Committee recommend approval of the Proposed 2019/20 Budget to the Board and approve equal payments of \$50,000 for each of the Finance Authority Members and that the Executive Committee recommend the Board adopt the CEQA determination that the proposed action is not defined as a project under Public Resources Code Section 21065 and Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

ATTACHMENTS:

2019/20 Proposed Budget

FISCAL YEAR 2019/20
PROPOSED BUDGET



DELTA CONVEYANCE FINANCE AUTHORITY
California WaterFix

Dated: May 9, 2019

EXECUTIVE SUMMARY

The Delta Conveyance Finance Authority (Authority or DCFA) was created in July 2018. Its 11 members are the Alameda County Water District, Alameda Flood Control & Water Conservation District - Zone 7, Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Desert Water Agency, Metropolitan Water District of Southern California, Mojave Water Agency, San Bernardino Valley Municipal Water District, San Gorgonio Pass Water Agency, Santa Clara Valley Water District, and Santa Clarita Valley Water Agency. The purpose of the Authority is to help finance conveyance improvements for the State Water Project to enable the State Water Project to improve water supply reliability, while meeting environmental objectives. The State of California, through the Department of Water Resources (Department) owns and operates the State Water Project. The DCFA’s primary purpose is to enable the Department to access capital markets via the sale of municipal bonds to the Authority to provide funding for the conveyance improvements. As the Department conducts the planning and other work associated with the conveyance project, the DCFA will be assisting as needed by issuing Authority debt to secure the funding necessary to purchase the Department’s bonds.

The DCFA is a conduit financing authority whose sole source of revenue comes from its members and investment earnings. As shown in **Table 1**, fiscal year 2019/20 revenues are expected to be just over \$550,000, similar to the fiscal year 2018/19 budget, and \$150,000 higher than projected revenues for fiscal year 2018/19. Proposed 2019/20 expenditures of \$597,000 are approximately 8.6%, or \$47,000, higher than budgeted in 2018/19. Budgeted revenues (member payments) are flat compared to the 2018/19 budget, as approximately \$46,000 of expenditures will be funded from reserves. The reserve balance is a result of 2018/19 expenditures being less than budget since activities were delayed as the project was reconfigured.

Table1. Budget Summary – Sources and Uses

Delta Conveyance Finance Authority 2019/20 Budget Operating Budget Sources and Uses			
	Budget 2018/19	Projected 2018/19	Proposed 2019/20
Revenues			
Member Agency Payments	\$550,000	\$400,000	\$550,000
Interest Earnings	\$ -	\$300	\$600
Total	\$550,000	\$400,300	\$550,600
Operating Expenses	\$550,000	\$290,643	\$597,000
Net Income	\$ -	\$109,657	\$(46,400)
Fund Balance	\$ -	\$109,657	\$63,257

FISCAL YEAR 2019/20 PROPOSED OPERATING BUDGET

The proposed operating budget is shown in **Table 2**, and totals \$597,000. The Authority will continue to receive support from the State Water Contractors for administrative activities (e.g., meetings, minutes, agendas, etc.) But, 2019/20 will be

the first full year for the Authority, and will entail more legal and other expenses than in 2018/19. Each of the major categories are described in more detail below.

Executive Director Compensation. This includes professional fees and expenses for the executive director to perform all services related to managing the activities of the Authority. The budget is \$25,000 higher than in 2018/19, reflecting anticipated work for a full fiscal year. The expenditure level is based on the existing contract, which was approved by the board in December 2018, and assumes a similar contract will be approved in December 2019.

Professional Services. This includes expenditures on general counsel, bond and disclosure counsel, municipal advisors, and audit services. In addition, the budget includes \$30,000 for external affairs support. This would include expenses for communication, website, etc. Unlike in fiscal year 2018/19, it is anticipated that bond and disclosure counsel will be working with the general counsel and executive director on the financing structure. The budget assumes these services would be paid on a time and material basis. Once a financing is completed, bond and disclosure counsel would be paid from bond proceeds. General Counsel fees are based on the existing contract and anticipated level of effort. Fees for the annual audit are also included as part of the Professional Services line item.

Accounting/Treasury Services. This line item accounts for the costs for services from the Metropolitan Water District to provide accounting and treasury services (e.g., accounting, financial reporting, banking, check processing, etc.) The 2019/20 budget is equal to the expenses in fiscal year 2018/19 and is consistent with the existing contract with Metropolitan.

Insurance. This is an estimate of the premium for liability and directors and officers insurance. The proposed budget accommodates an increase in premiums for insurance of up to \$2,000 or 17%.

Travel and Meeting. This expenditure reflects the cost of meeting rooms, travel (if any) for board members, and other similar expenses. The budget is lower than last year, and actual expenditures will depend on how many meetings are required.

Materials and Supplies. Materials and supplies includes basic office materials, and supplies. Many of these expenditures were incurred by the State Water Contractors or Metropolitan in 2018/19, but expenditures are expected to remain small.

Contingency. A contingency of \$50,000 has been included in the proposed budget to account for activities that may arise during the course of the fiscal year.

Table 2. Proposed Operating Budget

Delta Conveyance Finance Authority 2019/20 Budget Operating Budget				
Item	Object	Budget 2018/19	Projected 2018/19	Proposed 2019/20
1	Executive Director Compensation	\$ 175,000	\$ 175,000	\$200,000
2	Professional Services			
	General Counsel	75,000	35,000	80,000
	Bond Counsel	50,000	15,000	75,000
	Disclosure Counsel	50,000	15,000	50,000
	Municipal Advisor	50,000	-	50,000
	Audit	10,000	5,000	5,000
	Communications	-	1,200	30,000
3	Accounting/Treasury Services	30,000	30,000	30,000
4	Insurance	35,000	11,943	14,000
5	Travel and Meeting	10,000	2,500	8,000
6	Materials and Supplies	10,000	-	5,000
7	Contingency	55,000	-	50,000
	Total	\$ 550,000	\$ 290,643	\$597,000