



SPECIAL MEETING
ADMINISTRATIVE AND FINANCE COMMITTEE

LONG RANGE FINANCING PLAN WORKSHOP
November 12, 2015 - 1:30 p.m.
Board Room

Gary Arant – Chair
Doug Wilson – Vice Chair
Halla Razak – Vice Chair
David Cherashore
Lois Fong-Sakai
Ed Gallo
Frank Hilliker
Tom Kennedy

Keith Lewinger
Mark Muir
DeAna Verbeke
Ron Watkins
Mark Watton
Mark Weston
Ken Williams

1. Roll call – determination of quorum.
2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.
4. Development of 2015 Long-Range Financing Plan. (Discussion)
5. Adjournment.

Melinda Cogle
Clerk of the Board

NOTE: This meeting is also called and noticed as a meeting of the Board, but will be conducted as an Administrative and Finance Committee meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Water Authority Administrative Code. All items on the agenda, including information items, may be deliberated and become subject to Committee action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.



San Diego County Water Authority
BOARD CALENDAR

REVISED

NOVEMBER 2015

- **02** SCOOP Committee Meeting at 10:30 a.m.
- **04** MWD Delegates Meeting at 11:00 a.m.
- **17** Audit Committee Meeting at 11:00 a.m.
- **12** Special Administrative and Finance Committee Workshop-Long Range Financing Plan at 1:30 p.m.
No Formal Board Meeting
- **30** MWD Delegates Meeting at 4:30 p.m.

DECEMBER 2015

- **10** Combined November & December Board meeting
Committees begin at 9:00 a.m.
Formal Board meeting begins at 3:00 p.m.

JANUARY 2016

- **06** MWD Delegates Meeting at 11:00 a.m.
- **14** **Ethics Training - 1:30 – 3:30 p.m.**
- **28** Committees begin at 9:00 a.m.
Formal Board meeting begins at 3:00 p.m.



November 5, 2015

Attention: Administrative and Finance Committee

2015 Long-Range Financing Plan Workshop. (Discussion)

Purpose

Review and discuss the key assumptions utilized to develop the 2015 Long-Range Financing Plan (LRFP).

Background

On April 24, 2008 the Board adopted the Water Authority's 2008 LRFP. At that time, the Water Authority faced down turning economy and significant sustained periods of drought. As such, the Water Authority adopted the 2008 LRFP which prepared for the largest capital investment in our history with the 10-year Capital Improvement Projects (CIP) spending peaking at \$1.75 billion. CIP projects included a new Treatment Plant, Canal Lining and the Emergency Storage Projects. In addition, the LRFP included the enhancement of key financial policies including the establishment of a Board senior-lien debt service coverage target and enhanced Rate Stabilization Fund metrics.

While the LRFP is an important communications document for a wide range of stakeholders, the primary intended audience is investors and rating agencies. Aimed at investors and rating agencies, the document focuses on key financial policies, projected future capital expenditures and debt issuances, revenues and expenditures, and financial performance metrics and risks facing the Water Authority. However, to make the document as accessible as possible to the widest range of stakeholders a detailed discussion is provided on key aspects of the Water Authority's operations.

The 2008 LRFP received strong support by both rating agencies and investors. Standard and Poor's sought approval to use it as a Best in Class example of financial planning for other agencies. In addition, the 2008 LRFP has become a policy reference manual for all stakeholders and supported over \$2 billion in transactions including refundings and new debt issuances.

Discussion

The 2015 LRFP is focused on the Water Authority's transition to operations and asset management. The current \$567 million 10-year CIP is a more modest spending level when compared to the 2008 LRFP. CIP projects included in this plan are primarily Asset Management and Relining Projects. Although, the 2015 LRFP anticipates modest investments, the 10-year horizon is not without financial challenges. The Water Authority may be entering the fifth year of drought with a forecasted El Nino looming and member agencies facing unprecedented State Water drought regulations and reductions in water demand levels. In addition, policies governing the management of the Stored Water Fund and the level of cash funding of the CIP will also be reviewed.

While there are a large number of assumptions embedded in the 2015 LRFP, the core assumptions are those that have significant financial impacts and include water sales, local supplies, cost of water and transportation and the CIP. A detailed review of these assumptions will be the focus of the A&F LRFP Workshop on November 12, 2015. Board feedback will be incorporated into the assumptions that go into developing the 2015 LRFP.

2015 LRFP Review Process

The review process has been structured to provide opportunities for member agency review and input at both the staff and Board levels. The following are both past and planned meetings.

- October 13, 2015—General Managers' Meeting—draft outline presented for review, discussion and input
- October 14, 2015—Finance Officers' Meeting—draft outline presented for review, discussion and input
- November 12, 2015—Special A&F Committee Workshop—review & discussion of draft assumptions and select financial policies
- November 17, 2015—General Managers' Meeting— review & discussion of draft assumptions and select financial policies
- November 18, 2015—Finance Officers' Meeting— review & discussion of draft assumptions and select financial policies
- December 8, 2015—Joint General Managers' and Finance Officers' Meeting— review draft financial projections and High/Low rate and charge projections
- December 10, 2015—A&F Committee Meeting— present and discuss 2015 LRFP

Next Steps

Input from the Committee workshop and subsequent meetings with the member agency General Managers and Finance Officers will be incorporated into the 2015 LRFP presented to the Board on December 10, 2015. Once approved by the Board, staff will publish a final version of the 2015 LRFP on the Water Authority's web site for access by all interested stakeholders.

Prepared by: David Shank, Financial Planning Manager

Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer

Approved by: Sandra L. Kerl, Deputy General Manager