CALL TO ORDER / ROLL CALL
Chair Arant called the Special Meeting of the Administrative and Finance Committee to order at 1:30 p.m. Committee members present was Chair Arant, Vice Chairs Razak and Wilson, Directors Gallo, Hilliker, Kennedy, Lewinger, Muir, Verbeke, Weston, Williams and Wornham. Also present were Directors Ayala, Boyle, Brady, Evans, Guerin, Linden, Madaffier, Miller, Morrison, Murtland, Saunders, Steiner and Tu. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Director of Finance Harris, Director of Water Resources Weinberg, Financial Resources Manager Celaya, Financial Planning Manager Shank, and Acting Water Resources Manager Friehauf.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were two public speakers present: Kay Ragan, President of League of Women Voters, San Diego County and Eric Larson from the San Diego County Farm Bureau both made comments in favor of the Transitional Special Agricultural Water Rate.

CHAIR’S REPORT
There was no Chair’s Report.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no consent items

II. ACTION/DISCUSSION
1. Report of the Member Agency Managers’ Recommendations regarding Fiscal Sustainability and Special Agricultural Water Rate Program.

Ms. Harris began the presentation with a review of the agenda, overarching themes as a result of the Fiscal Sustainability Task Force, and a review of Board actions being discussed. She explained components of 2015 rates and charges action and how it applied to the transitional special agriculture water rate, the Member Agency Managers’ process, and concluded with the Fiscal Sustainability process definition.
Ms. Celaya explained the enhanced fixed charges/revenue volatility with a review of sustainability problems; the changing nature of the Water Authority cost structure, water sales volatility, and dry year verses wet year. She also described managing financial impacts from water sales volatility via reserves.

Mr. Weinberg discussed the supply reliability fixed charge and provided examples of linking a reliability charge to MWD’s supply reliability. He addressed calculating a reliability charge based on MWD rates, alternatives to address fiscal sustainability issues, and the changing cost of structure of supply. He also showed the impact to member agencies, scenarios on fixed revenue to fixed cost ratio, scenarios impact of fixed revenue as a percent of total revenue, and evaluation alternatives. Mr. Weinberg concluded with an in-depth review of Member Agency Manager’s recommendations of creating a new supply reliability charge.

Mr. Shank explained non-commodity revenue allocation. He reviewed issues raised by member agencies about allocation and reviewed industry guidelines for non-commodity allocation. Mr. Shank included an IAC example for a potential rate and charges cross subsidization and current practice used for CY 2014 and charge data. He concluded with an explanation of the recommended alternative and Member Agency Managers’ recommendation to allocate non-commodity revenue to treatment.

Ms. Friehauf explained the Transitional Special Agriculture Water Rate (TSAWR) with a review of workgroup recommendations, TSAWR background, and extension beyond 2015 of TSAWR. She also reviewed historical and projected program agricultural deliveries, estimated 2016 financial costs and water supply benefits, comparison of 2015 single year cost of drought management options to TSAWR and actions related to extending / not extending TSAWR. She concluded with the Member Agency Managers’ recommendation to extend TSAWR for a 5-year period and conduct a review of the cost and benefits of the program.

Mr. Weinberg mentioned that other items discussed by Member Agency Managers’ included annual revenue volatility and the recognition of local supply benefit. He concluded the presentation with a complete list of Member Agency Managers’ recommendations on Fiscal Sustainability, explained the cost of service review and analysis process, and listed next steps and key dates.

The Board asked questions and staff answered.

Director Weston made a motion to approve the recommendations “in concept” and move recommendations to the consent calendar for the March 26, 2015 Formal Board Meeting. Director Wornham seconded, and the motion passed unanimously to put forward the recommendations as a consent item at the March 26, 2015 Formal Board Meeting.

III. INFORMATION
There were no information items.
IV. CLOSED SESSION
   There was no closed session.

V. ADJOURNMENT
   There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 3:00 p.m.