

October 19, 2022
Special Meeting
5:00 p.m.

The Board of Directors of the San Benito County Water District convened in special session on Wednesday, October 19, 2022 at 5:00 p.m. at the San Benito County Water District office at 30 Mansfield Road, Hollister, California. Members present were: President Joe Tonascia, Vice President Sonny Flores and Directors John Tobias and Doug Williams; Director Andrew Shelton arrived late. Also present were District Manager Jeff Cattaneo, Assistant General Manager Steve Wittry, District Counsel Jeremy T. Liem, Manager of Administration, Finance and Business Services Joyce Machado, Water Conservation Program Manager Shawn Novack and Board Clerk/Office Specialist III Barbara Mauro.

CALL TO ORDER

President Tonascia called the meeting to order at 5:00 p.m.

- a. Pledge of Allegiance to the Flag**
President Tonascia led the Pledge of Allegiance.
- b. Roll Call**
Mrs. Mauro called roll; all members were present except Director Shelton.
- c. Speakers will be limited to 5 minutes to address the Board**
There were no public comments.

AGENDA ITEMS:

- 1. Presentation by Cal Muni on CalPERS Unfunded Accrued Liability (UAL)**
Mr. Cattaneo introduced Cameron Weist of the Weist Law Firm and Andrew Flynn from CalMuni Advisors, who will be making the presentation to the Board, via a PowerPoint presentation.

Mr. Weist began by restating that the Board, in April 2022, took action to refinance the outstanding UAL balance of approximately \$3 million. Also in April 2022, the Board approved a pension management policy. The outstanding debt, which had an interest rate of 7% at the time, was refinanced over 15 years at a 2.84% interest rate. Due to the negative market, CalPERS, who invests the UAL, has now experienced a loss of 6.1%.

(Director Shelton arrived at 5:05 p.m.)

Mr. Flynn reminded the Board that CalPERS is always 1 year in arrears. Following the refinancing, the District was 109% funded and now, with the downturn of the market, the District is at approximately 97% funded. Using the PowerPoint, Mr. Flynn reviewed the District's pension funding status. He also reviewed the investment risk and returns from CalPERS over a period of 30 years. Mr. Flynn reviewed the Pension funding history and forecast and how the District could manage this on a go forward basis.

Mr. Weist restated the rate for the refinancing of the previous UAL balance is 2.84% over 15 years. He then reviewed the UAL Policy the Board approved earlier this year, which

stated the District would strive to maintain at 95% funding target. Mr. Weist stated the District may want to consider changing the definition to a 90% level and establishing a 115 Trust which would be a dedicated reserve for the pension fund. The purpose of the 115 Trust is when an unusual swing occurs, as it did this year, that a payment can be made from the Trust for this purpose. It would allow the District to stay on top of the UAL and not fall behind assisting with maintaining the ratio going forward

Mr. Weist also reviewed the Unfunded Accrued Liability Policy on a short-term basis as well as a long-term basis. Also reviewed were the UAL mitigation techniques, which are all part of the District's policy. Mr. Weist added, at the of CalPERS invoicing, CalPERS offers a 3.5% discount if the balance is paid within 30 days upon the District's receipt of their invoice, to be invoiced in May/June of 2023

Mr. Weist stated that for an annual fee of \$1750, CalMuni Advisors can work with staff during the budgeting process and help predict where the District should be at the time, regarding the UAL balance.

Mr. Cattaneo asked when the payment has to be made to get the 3.5%. Mr. Weist stated agencies are normally notified by May/June and the payment is then due at the end of June.

Director Tobias asked if the 115 Trust account can earn interest? Mr. Weist stated yes, agencies are allowed to use this vehicle to make a gain, outside of the government code. He further stated CalPERS, as well as a few others, offer the 115 Trust, which would have some minor fees. In the 115 Trust, the District can also select low, medium or high risk.

Mr. Cattaneo added if the Board elected to make the payment next year, one of the investments made earlier this year is a short-term treasury note, invested at \$2.8 million will be maturing 5/31/2023. Additionally, the District has approximately \$15 million in LAIF that is undesignated. Staff would recommend making the payment.

Director Tobias asked if it will be about \$450,000+ when due? Mr. Cattaneo stated the CalPERS estimate was approximately \$830,000. Director Tobias asked if this amount continues to incur interest? Mr. Cattaneo stated yes, that is correct. Director Tobias asked if the District could pre-pay the amount to avoid additional interest. The Board agreed to consider making the payment early and also to consider participation in a 115 Trust. Mr. Cattaneo added there is a fee to participate in the 115 Trust, but he could not confirm the amount.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 5:41 p.m.

/s/Joseph Tonascia
Joseph Tonascia, President

/s/Barbara L. Mauro
Barbara L. Mauro, Board Clerk