

AGENDA ITEM VIII-1

DRAFT

**Finance Committee Meeting Minutes
San Juan Water District
January 16, 2024
4:00 p.m.**

- Committee Members:** Ted Costa, Director (Chair)
Ken Miller, Director (Member)
- District Staff:** Paul Helliker, General Manager
Donna Silva, Finance Director
Tony Barela, Director of Operations
Teri Grant, Board Secretary/Administrative Assistant
- Members of the Public:** Jennifer Farr, DavisFarr, Certified Public Accountants
Mike Spencer, SJWD Employee
User 1

1. Presentation of Independent Audit Results by DavisFarr, Certified Public Accountants - Fiscal Year Ending June 30, 2023 (W & R)

Ms. Silva introduced Jennifer Farr from DavisFarr, Certified Public Accountants, and explained that they conducted the independent audit of the District's financials for fiscal year ending June 30, 2023. Ms. Farr reviewed the timeline of the audit and reported that they issued an unmodified audit opinion on the financial statements. She explained that included in their opinion there is an emphasis of a matter for implementation of a new accounting standard for subscription based information technology agreements.

Ms. Farr reviewed the areas of focus for the audit, the new subscription based information technology agreements accounting standard, the financial statement highlights, and internal controls. She informed the committee that there was one journal entry that they requested be made and that was to record that the old Hinkle Reservoir Cover and Lining was taken out of service and disposed of in FY 2022-23.

Ms. Farr informed the committee that there were no instances of noncompliance and that District staff were prepared for the audit and responsive to their inquiries – she commended staff for their high level of competency.

In response to Director Costa's question regarding cyber security and the District's risk of not having certain safe guards in the system for coverage, Ms. Silva explained that the District is covered by ACWA JPIA cyber insurance, which includes revenue coverage for six months in the event of a loss. She explained that the application for cyber insurance requested information regarding the District's IT security and since the District was approved for coverage then that means the District meets their requirements for coverage.

In response to Director Miller's question regarding the significant risks identified on page 2 of the management letter, Ms. Silva explained that there was a new accounting pronouncement to implement this year regarding the subscription based information technology agreements, and the auditors include this as a risk in case the District is unaware of the requirement to implement this standard. In addition, she explained that

since the District entered into a \$23 million loan agreement, that is a significant risk to the District which the auditors pointed out.

2. Review General Manager Reimbursements (W & R)

The committee reviewed the November credit card charges for the General Manager and found them to be in order and there was no reimbursement request from the General Manager.

3. Review Check Register from December 2023 (W & R)

The committee reviewed the December 2023 check register and found them to be in order. Director Miller requested the total expenses per Board member be supplied to the committee.

4. CCTM1 Lease Agreement Approval (W & R)

Mr. Barela reviewed the staff report which was provided to the committee members. He reported that he compared the proposed future rates with Sacramento Suburban Water District, PCWA and City of Folsom, and found them to be in alignment with recent lease agreements completed by those agencies. The fee schedule is reflected in the staff report. Ms. Silva pointed out that, since this is a 30-year contract, the agreement was carefully defined so that future staff are clear on the terms of the agreement.

Mr. Barela reviewed the contract, the site location, and the addition of subletting included in the agreement. He explained that the District will receive a portion of any subletting revenue. In response to Director Miller's question, Mr. Barela explained that if there are any modifications made to the tower then the contract requires them to contact the District. In addition, their tower cannot interfere with District communications. In response to Director Costa's comment on accessing the 2 MW of power, Mr. Barela explained that is a separate facility and is not related to the cell tower leases.

In response to Director Miller's comment on allocation of the revenue from the cell tower leases, Ms. Silva explained that she had not seen anything regarding this, as it was before she began at the District; however, when she consolidated the reserves, the allocation was probably removed and the revenue has been allocated to the Wholesale and Retail Operating funds. In addition, she explained that the only source of revenue that has an external restriction on it is a portion of the Retail Capital Facility Fee. GM Helliker mentioned that under Prop. 218, there are constraints that the District has to follow regarding the fact that water rates have to be used to cover the cost of running the District.

The Finance Committee recommends consideration of a motion to approve the execution of a lease agreement with CCTM1, LLC related to the property containing CCTM1's cell tower and instrumentation.

5. Other Finance Matters (W & R)

There were no other matters discussed.

6. Public Comment

There were no public comments.

The meeting was adjourned at 4:41 p.m.