



MEETING MNUTES

April, 7, 2017

1. Call to order and attendee introductions.

The meeting was called to order at 9:03 a.m. Members present were: Tom Taggart (San Marcos), Brock Curry (EAA), Steve Raabe (SARA), Mary Bailey (SAWS), Myron Hess (National Wildlife Foundation). The Member-at-Large had not been appointed and was not present. The Chair read aloud the Charge of the Work Group and discussed the role of the Workgroup.

2. Nominate and potentially appoint a Member-at-Large.

The Chair discussed the representation of the existing members and mentioned Adam Yablonski as a possible representative for the Member-at-Large position. The Chair reminded the Workgroup of Mr. Yablonski's history and working knowledge of the EAA. The Chair described Mr. Yablonski as "fair minded" and "neutral". Mr. Curry agreed with the Chair and introduced the question "do we need another member?" Mr. Raabe agreed with the Chair and Mr. Hess also agreed and stated that Mr. Yablonski would be a good addition and stated that many perspectives would be a good thing. Ms. Bailey stated that she did not know Mr. Yablonski personally but accepted the statements of the others members regarding Mr. Yablonski's ability to serve on the Workgroup. Discussion followed. The Chair asked Mr. Pence (HCP Program Manager) to contact Mr. Yablonski and ask if he is willing to serve on the Workgroup.

3. Presentation and discussion of the Funding and Management Agreement of the EAHCP.

Mr. Hess discussed the Funding and Management Agreement (FMA) and provided slides summarizing the FMA. Mr. Hess discussed some key definitions: 1) Annual Funding Obligations, 2) Annual Program Budget, 3) Excess Fund Balance, 4) Fund Balance, 5) Fund Balance Cap, 6) HCP Program Account and, 7) Program Aquifer Management Fees. Mr. Hess also discussed the reasons behind the Reserve Fund, the individual Party's duties and responsibilities according to the FMA, and Limitations related to program costs. Mr. Hess briefly address the original intention for the EAHCP to seek and secure grant funding to help pay for the program. Discussion followed.

Mr. Pence provided an historical perspective related to the FMA. Discussion followed.

4. Presentation and discussion of the EAHCP budget.

Ms. Alicia Reinmund-Martinez (HCP Director) presented the EAHCP budget and the budget spreadsheet known as Table 7.1. Ms. Reinmund-Martinez presented graphs of expenditures by Conservation Measure. Mr. Pence interjected the concept of “frontloading” and that the increased expenses seen in the early years of the program are due to the construction and ramping up of programs in the initial phases of the HCP. Discussion followed.

Ms. Reinmund-Martinez reminded the Workgroup members of the memo written by the General Manager of the EAA regarding his desire to keep spending levels at the maximum shown in Table 7.1. Ms. Reinmund-Martinez then showed the Workgroup the “borrowing forward” concept that allows Parties to spend funds dedicated to future program years and how funds are tracked. Discussion followed.

5. Presentation and overview of the EAA Budget process.

Mr. Curry provided an overview of the EAA budgeting process. Mr. Curry stated that the process is focused on transparency. Mr. Curry presented the budget timeline where the proposed budget is presented to the Board of Directors in September, then public hearings are conducted in October. After consideration of any comments received, the Board then approves the budget in November. The Chair asked the question – “what time frame should the Workgroup make input to the Implementing Committee to have an impact on the budget process?” The answer was that the June Implementing Committee/Stakeholder meeting would be a good time to make a recommendation. Discussion followed.

6. Presentation and discussion of the EAA Aquifer Management Fee (AMF) and the EAHCP Reserve Fund.

Ms. Shelly Hendrix, EAA Controller, provided an overview of the AMF and the HCP Reserve Fund projections displaying actual costs and forecasted costs past 2016. Ms. Hendrix displayed AMF rates prior to the inception of the HCP program and then followed up with the various AMF split which provides funds to the HCP program. The Chair asked if they could see a projection of revenue in future meetings. Discussion followed.

Ms. Bailey and Mr. Hess also requested a presentation on the impacts to the reserve fund under various drought scenarios. EAA staff agreed to provide those presentations. The Chair reiterated his desire that projections be taken out to the end of the ITP term. Discussion followed.

7. Discuss future agenda items.

At the conclusion of the AMF/Reserve discussion, the Chair asked that the group summarize the presentations that the staff will provide during the next meeting. Mr. Pence offered to do that. Mr. Pence reminded the member that a Doodle Poll will be sent out to try to find a suitable date for the next meeting. Mr. Pence then offered the following items for the next agenda:

Attachment 1

EAHCP Staff

April 26, 2017

- Drought of Record Calculations for expenses
- Impact to the Reserve based on frontloading of various HCP programs
- Produce other scenarios, i.e. worst case scenario
- Reserve and revenue forecast compared to Table 7.1A
- AMF projection through 2027
- Show the 2% escalator impacts to the reserve.

Discussion regarding the escalator followed. Ms. Bailey commented that as the program moves forward, it will be interesting to watch management of funds if a drought of record occurs. The Chair stated that the EAA will secure the revenues needed to meet the obligation of the HCP which, during a drought, will impact water utilities especially hard. Discussion followed. Ms. Bailey asked about the interest rates that EAA was receiving on the reserve funds. Ms. Hendrix stated that it ranged from 1% to 1.5%. Discussion followed.

Mr. Curry informed the members that the EAA annual audit was complete and that the Auditors would be presenting the audit results to the EAA Board on Tuesday, April 11, 2017.

Mr. Pence informed the members that he would contact Mr. Yablonski to discuss his willingness to participate in the Work Group.

The Chair thanked the Program Manager and the staff for all the work performed and their efforts to make the meeting go well. The Chair said he understood the level of effort it took for staff to create these presentations.

Mr. Curry asked Ms. Bailey if she would like the background information used to create the various graphs and slides. Ms. Bailey stated that she would like to see that data.

8. Consider future meetings, dates, and locations.

Mr. Pence reminded the members that staff would initiate a Doodle poll as soon as possible to get the next meeting date on their calendars. Mr. Pence stated that early May was the target for the next meeting.

9. Questions and comments from the public.

The Chair asked if there were any comments from the public. Mr. Patrick Shriver, SAWS, asked that the scenario modeling show more detail and assumptions used in creating the model. Don't make the scenarios too complex. Discussion followed.

10. The meeting adjourned at 12:16 p.m.