



BIGHORN-DESERT VIEW WATER AGENCY

Our Mission - "To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate."

Finance/Public Relations/Education and Personnel Standing Committee Meeting Minutes

Committee Members: Director McKenzie & Alt. Director Chapman

**BOARD MEETING OFFICE
1720 N. CHEROKEE TR.
LANDERS, CALIFORNIA 92284**

**January 16, 2024
Time – 4:00 P.M.**

PUBLIC AND BOARD WISHING TO PARTICIPATE REMOTELY

****TELECONFERENCE LINE THRU ZOOM 669-900-6833****

OR

Join Zoom Meeting

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/87418985098?pwd=bn9UTmZ5YVRFdTJsblQxUmZtandOZz09>

Passcode: 475054

Or

Dial: 1-669-900-6833

Webinar ID: 87418985098

Passcode: 475054

CALL TO ORDER

GM West noted that Director Burkhart notified of his absence and Alternate Director Chapman will participate today. Chair McKenzie called the meeting to order at 4:11 pm.

PLEDGE OF ALLEGIANCE

Led by Director Chapman.

ROLL CALL

Directors Present: Director McKenzie
Director Chapman

Staff Present: Marina West
Daniel Best

Presentations by: Ashley Baires – Public Agency Retirement Services (PARS)
Keith Stribling – Highmark Capital Management

Public Present: Following Roll Call, 0 member(s) of the public indicated they were participating via teleconference. 0 member(s) of the public were present in the meeting room.

APPROVAL OF AGENDA

Director Chapman moved to approve the Agenda as presented. Seconded by Director McKenzie.

Discussion and Action Items

1. Presentations

a. Public Agency Retirement Services (PARS) Presentation on Agency's Pension Rate Stabilization Fund

Ms. Ashley Baires (PARS) and Mr. Keith Stribling (Highmark Capital Management) gave a Powerpoint presentation on the Agency's Pension Rate Stabilization Fund. Ms. Baires noted that PARS 115 Trust Team serves as record keeper, consultant and central point of contact for this program. They coordinate all Agency services and monitor "plan compliance". All questions about the plan should be directed to the PARS Team.

Ms. Baires stated that US Bank is the "trustee" for the funds, being the fifth largest commercial bank and they are responsible to safeguard the plan assets. Finally, Highmark Capital Management is the investment manager.

Mr. Stribling began his presentation noting that a merger between US Bank and Union Bank has finally been completed, which means Highmark has officially being merged into US Bank's institutional asset manager, PFM. This places custodial and investment management duties under the same umbrella. Ms. Baires, mentioned that new documents will no longer state "Highmark" but will be "PFM" under US Bank.

They further reviewed the plan history, results of investments and current balance on deposits and gains/losses made since inception in June 2020 in the "Moderately-Conservative Index" is the investment strategy. Ms. Baires also reviewed the status of the Agency's CalPERS pension plan history and change in valuations. She noted that in 2022 CalPERS had a lower discount rate and negative returns that result in an increase in our liability, decreased assets and unfunded liability increases resulting in a funding ratio of 13.8% decrease or 81% funded.

Mr. Stribling reviewed the history of the "moderately conservative-passive strategy" investment fund. The strategic asset allocation is 30% stocks and 70% fixed income. He further reviewed investment performance for 2023, which was 9.8% with a 2.3% long-term performance. Asset allocation decisions are based on modest 60 basis points overweight stocks favoring value over growth. His "economic review" pointed to two forces working in opposite directions. On the one hand, aggressive fiscal policy with the government spending a lot of money on different initiatives of the current administration. On the other hand, the Federal Reserve, which was ultra-easy in the pandemic, has raised interest rates 5.25 basis points of the past year and a half and pulled back on Quantitative Easing leaving two opposite effects occurring on a big scale. First, the yield curve inverted which led to fears of recession with the tightening and the banking system tightening lending standards since they had

trouble a year ago when a few banks went under. However, it has not transpired that way as employment was “really sticky” and that helped the Federal Reserve. The yield curve at this point is flat and slightly inverted with short-term rates higher than long-term rates. Most people expect that with inflation coming down the Federal Reserve will lower short-term rates causing the yield curve to steepen and look more normal.

Other risks include inflation resurgence and the geopolitical risks in the Middle East or some other factor like the economy recovering more quickly causing Federal Reserve to lower rates and perhaps getting caught off guard if inflation were to come back resulting in a policy mistake by the Federal Reserve if that were to occur. The wars being fought: Russia and Ukraine and Israel and Gaza/Hamas. The Chinese economy and China looking at Taiwan but Mr. Stribling doesn't think that is an issue any time soon as China has a “long game approach” to most things. A bigger issue for China is the slowing economy, aging population, it is over leveraged in the real estate market and they are experiencing off shoring of manufacturing which is slowing the economy. However, China is a big growth driver with Southeast Asia as they are the second largest economy so they are a big driver. In his opinion, if geopolitical struggles “get better” then he thinks the Federal Reserve has done a good job of engineering the economy to slow down and bring down controlling inflation. However, the price tag is higher and structurally everyone is less wealthy right now. But, if the Federal Reserve can get it under control then longer term bonds come down and short term rates get closer to 2% over the next couple years. That would be supportive to the housing market and then we may avoid a recession even with the very aggressive Federal Reserve. That is the “positive scenario”.

Finally, he reviewed the asset allocation for our fund and a summary of the various index portfolio returns for comparison.

The PARS Team addressed questions posed by the Committee members.

Public Comment: None.

2. Discussion Item – Review Social Security Index Cost-of-Living Adjustment (COLA) for 2023 and Discuss Fiscal Year 2024/25 Cost-of-Living Adjustment to the Range and Step Scale for Staff and General Manager

AGM reported that the Social Security Cost-of-Living (COLA) benefit increase for 2024 is 3.2%. GM West gave additional background on the COLA process and that this begins the budgeting process. Director Chapman suggested that it be rounded to 4.0%. Staff reported that both 3.2% and 4.0% will be evaluated in the budget. Staff also reported that benefit costs are escalating quicker than expected and will provide some background on that at the next meeting.

Public Comment: None.

3. Discussion Item – 2024 Benchmarking, Organizational Structure, and Staffing Analysis

AGM Best introduced the subject by noting it is a good time to look at benchmarking and organizational structure. GM West added that this is an opportune time for AGM Best to develop the plan since we have pending retirements and one vacancy at this time. AGM Best will be discussing the needs of individual staff as part of the development of a plan.

AGM Best answered questions of the Committee.

Public Comment: None.

4. Consent Items –

- a. FPREP Committee Meeting Minutes **September 19, 2023**
- b. PARS Investment Statement **August, September, October, November, 2023**

Approve as presented.

Public Comment: None.

5. Public Comment Period

None.

6. Verbal Reports - Including Reports on Courses/Conferences/Meetings.

- 1. Committee Members' Comments/Reports – none.
- 2. General Manager's Report – none.
- 3. Assistant General Manager Report – none.

7. Adjournment

Chair McKenzie adjourned the meeting at 4:57 pm

Approved by:

JoMarie McKenzie, Committee Chair

Official Seal