



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
Finance, Audit, and Power Committee
March 18, 2021**

A meeting of the Central Arizona Project Finance, Audit and Power Committee ("Committee") of the Central Arizona Water Conservation District's ("CAP" or "CAWCD") Board of Directors was called to order by Chair Mark Taylor on March 18, 2021 at 9:03 a.m. The meeting was held virtually and broadcast for the public via livestream.

Committee Members present were: Chair Mark Taylor, Pima County; Karen Cesare, Pima County; Pat Jacobs, Pima County; and April Pinger-Tornquist, Maricopa County.

Committee Members not present were: Heather Macre, Maricopa County.

Staff members present were: Ted Cooke, General Manager; Jay Johnson, General Counsel; Chris Hall, Director of Finance and Administration; Bridget Schwartz-Manock, Director of Public Affairs; Darrin Francom, Director of Operations, Power and Engineering; Doug Dunlap, Finance and Accounting Manager; Brian Young, Power Programs Manager; Ryan Johnson, Engineering Services Manager; Ramon Ramirez, Internal Audit Manager; Megan Casey, Public Affairs Management Analyst; Jenn Miller, Board Support Specialist; and Aliesha Kuhn, Executive Assistant.

1. CONSIDERATION OF ACTION TO APPROVE THE MINUTES OF JANUARY 21, 2021 FINANCE, AUDIT AND POWER COMMITTEE - TAYLOR

On a motion (Board Member Cesare) and a second (Board Member Jacobs), approved the minutes of the January 21, 2021 FAP Committee meeting. Motion passed.

Voting yes: Mark Taylor, Karen Cesare, Pat Jacobs, April Pinger-Tornquist

2. DISCUSSION ON PURCHASING POLICY THRESHOLDS - HALL

Chris Hall, Director of Finance and Administration, gave a presentation on the Central Arizona Project purchasing policy and approval limits for purchase requests, competitive purchases, award and sign contracts, and change orders and amendments. Mr. Hall outlined new thresholds the staff is recommending for each of these areas, and explained that the purchasing policy has not been updated since 2000.

In response to questions from Chair Taylor and Board Member Pinger-Tornquist, Mr. Hall provided additional information on the levels of purchase order and contract guidelines.

Chair Taylor, Board Member Cesare and Board Member Pinger-Tornquist expressed concern with increasing the Board approval threshold to \$400,000, and transparency with the public. Staff was directed to look for a middle-of-the-road option to present at the April meeting.

3. REPORT ON POWER PROGRAMS 2020 REVIEW AND 2021 OUTLOOK - YOUNG

Brian Young, Power Programs Manager, presented an energy update, including the final 2020 Energy Costs, Current Market Conditions, and the 2021-2022 energy outlook.

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Mr. Young reported the 2020 final cost in energy rate being under \$49/AF vs. the posted rate of \$56/AF. This is a cost savings to CAP customers of around \$10.5M, \$8M will be refunded to long-term customers in the 2020 rate reconciliation.

In response to a question from Chair Taylor and Board Member Pinger-Tornquist, Mr. Young explained the heatwaves last year and supply and demand resulted in price spikes and caused forward energy prices to increase.

Mr. Young answered questions from Board Member Cesare on forward purchase sales, curtailed pumping during peaked prices and abbreviations for power systems.

In response to Chair Taylor, Mr. Young explained CAP is in excellent shape with energy purchases for 2021 and 2022.

In response to Chair Taylor and Board Member Jacobs, Mr. Young and Darrin Francom, Director of Operations, Power and Engineering, provided additional information on water shortages, and how this would impact customer orders.

Mr. Young answered questions from Board Member Jacobs on pumping less water under Tier One shortage conditions.

4. REPORT ON CAPITAL IMPROVEMENT PROJECT HIGHLIGHTS - JOHNSON

Ryan Johnson, Engineering Services Manager, provided an overview that covered the impact of COVID-19 on Capital Projects to date, 2021-2023 projected projects, and construction market conditions.

In response to questions from Board Member Jacobs and Board Member Cesare, Mr. Johnson provided additional information on Capital projects.

5. REPORT ON INTERNAL AUDIT ACTIVITIES - RAMIREZ

Ramon Ramirez, Internal Audit Manager, gave an update on audit projects and noted, the final report has been completed on the Captive Insurance audit. The Rate Setting audit is in the fieldwork phase, and the Land Sale audit is in the preliminary survey phase.

Mr. Ramirez answered questions from Chair Taylor, on 2021 audit planning.

6. REQUIRED AUDITOR ANNUAL COMMUNICATION - RAMIREZ

Mr. Ramirez delivered annual communications required by International Internal Auditing standards. The presentation included confirmation of independence, and the professional standards the Internal Audit Manager is bound to adhere to.

Chair Taylor expressed his appreciation to Mr. Ramirez for his work with CAP.

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7. FUTURE AGENDA ITEMS

Chair Taylor noted the next FAP meeting is April 15 at 9:00 a.m. Agenda items include a recommendation to the Board on taxes and rates, a report on the purchasing policy threshold final report on the 2020 external audit, and a report on the 2020 final budget report.

8. PUBLIC COMMENT

No public comment.

9. ADJOURN

There being no further business to come before the Committee, the meeting adjourned at 11:05 a.m.

DocuSigned by:

Mark F. Taylor

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Chair