

**FAIRFAX WATER
FINANCE AND AUDIT COMMITTEE**

Minutes of Meeting on September 22, 2022

At 6:02 p.m. on Thursday, September 22, 2022, a meeting of the Finance and Audit Committee was held at Fairfax Water with the following in attendance:

Members: Roberson and Griffin

Other Members: Allin, Begovich, Colleton, Day, Dotson, and Rubin

Staff: Hedges, Kingsbury, Atapoor, Goldberg, Grimes, Hack, Hoke, S. Miller, Oates, Sinopole, and Dooley

Counsel: John McGranahan, Hunton Andrews Kurth, LLP

Consultants: Nelson Bush and David Calvert, PFM Asset Management

Upon separate motions duly made, seconded, and unanimously carried, unless otherwise noted, the following actions were taken:

Adoption of Minutes

The Committee approved the minutes of June 16, 2022.

Presentation by Investment Advisor

Nelson Bush began the presentation with an overview of current economic conditions. High inflation remains a concern with the Federal Reserve aggressively increasing interest rates to combat inflation and attempting to slow down the U.S. economy. While the labor market is strong and unemployment rates are low at 3.7% as of August 2022, the number of job openings still outweighs the number of unemployed persons. Consumer prices have been at historic highs, and the Consumer Price Index was up to 8.5% as of July 31, 2022.

Gross Domestic Product has been negative two quarters in a row creating growing concerns for the potential of an economic recession. The Federal Reserve continues to raise interest rates and the short-term federal funds rate is projected to be 4.25% to 4.50% by the end of 2022. Treasury yields have moved higher across the curve, but the curve remains flat beyond two-years.

David Calvert reviewed the investment strategy and performance of Fairfax Water's portfolio through the second quarter of 2022. The one-year return of the Operating Fund portfolio declined by 4.49% and outperformed the benchmark by 14 basis points. The five-year return as of June 30, 2022 was 1.08% and outperformed the benchmark by 15 basis points.

Budget Update

Kim Oates provided a brief update on the 2022 budget based on actual results through August 31, 2022. Total revenues in 2022 are estimated to be \$4.7 million below budget and total expenses are estimated to be \$3.4 million below budget, with net revenues projected to be \$1.3 million below budget for the year. The estimated coverage ratio of 2.36 versus budget of 2.39 is well above the target ratio of 2.00.

Adjournment

There being no further business, the meeting was adjourned at 6:47 p.m.



Alan Roberson, Chairman