

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, JANUARY 21, 2019 AT 4:00 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 4:00 p.m.

Present:                Director Martin  
                             Director Sannella  
                             District Engineer Gumpel  
                             Finance Manager Owen  
                             Accounting Supervisor Glenn  
                             Financial Analyst Arthur  
                             Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

CURRENT FINANCIAL STATE – AS OF DECEMBER 31, 2018

Finance Manager Owen stated the purpose of the meeting was to provide the Committee with an update on the District's financial status as of December 31, 2018, tentative dates for future Committee meetings, and information regarding the upcoming budget process.

Accounting Supervisor Glenn provided a presentation on the District's financial status for the past six months which included water and wastewater operations and reserves.

General discussion took place during the presentation regarding water sales and desal water purchases. Director Martin expressed his concern that the District is paying a higher rate for desal water but is not receiving desal water. Regarding water sales, Financial Analyst Arthur explained that during the summer months water sales were higher because more tier 3 water was being used which results in more revenue. During the winter months, less tier 3 water is used which decreases revenue. Regarding desal water purchases, the District is currently receiving blended water instead of direct desal water while the desal pipe is shut down for repair. The District takes more direct desal water than our contract allotment during some months, less other months, but is charged the same monthly contract amount regardless of the source of the water.

Further discussion took place regarding wastewater reserves. Operating revenues exceeded expenses by \$5.2 million which put the replacement reserves balance over the ceiling; therefore, \$555,035 was moved to rate stabilization. This can change monthly. If expenditures exceed revenues, funds can be moved from rate stabilization to replacement reserves.

The Committee requested the Board receive a formal briefing on the desal matter.

### POSSIBLE RESERVE POLICY REVISIONS

Finance Manager Owen stated the Public Awareness/Personnel/Policy Committee will be reviewing the reserve policy. The current policy requires any excess funds over the replacement reserve ceiling to be transferred first to OPEB and then to rate stabilization. A possible revision to the policy could designate the transfer of excess funds to 1) OPEB, 2) PERS, and 3) rate stabilization. Any such transfer would be performed at the end of the fiscal year.

### BUDGET CALENDAR

Finance Manager Owen provided a brief presentation on the preliminary budget calendar. As part of the budget process, tentative dates for this Committee to meet are February 25, March 18, April 1, and April 29, subject to the Committee's availability. An additional meeting may be necessary in March. A Board workshop is anticipated for May 29 for first review of the draft proposed budget with budget adoption at the Regular Board meeting on June 5, or June 19 if additional time is needed.

Finance Manager Owen stated future items for discussion include the Cost of Service Study/Rates and capacity fees.

General discussion took place regarding the Cost of Service Study, 218 and rate setting, and revisions to capacity fees. District Engineer Gumpel explained what staff is currently working on with respect to the capacity fees.

Staff will provide an update on capacity fees at the February 25 Committee meeting.

### OTHER BUSINESS

None.

### PUBLIC COMMENT

Mike Hunsaker, member of the public, asked why there hasn't been public notice of the District not getting any desal water and what is the reason for the shutdown? He commented on water quality of desal and Colorado River water and asked why we aren't buying water at current rates from the San Vicente Reservoir instead of storing it and then potentially having to pay more for it later. He stated that the General Manager has been meeting with representatives of the Building Industry Association to discuss how the new capacity fees will affect them and feels no one should have advance knowledge at this point.

District Engineer Gumpel stated the desal pipe is shut down due to a warranty issue on the pipe. Water that does not meet drinking water quality standards cannot be delivered.

### ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:47 p.m.