

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 25, 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
 General Manager Pruiam
 District Engineer Gumpel
 Finance Manager Owen
 Accounting Supervisor Glenn
 Financial Analyst Arthur
 Executive Secretary Posvar

ITEM(S) FOR DISCUSSION

CAPACITY FEE UPDATE

District Engineer Gumpel provided information on the draft capacity fee associated with a new Master Plan. The Master Plan only addresses growth components. District Engineer Gumpel provided the following information:

- Discussed how the new proposed Capital Facilities (Cap) fees for water and sewer is based on proposed Master Plan CIP project
 - The fees include cost of the project
 - Cost of borrowing money to pay for the projects (interest rate)
 - Cost of paying off any existing deficits in the Cap Fees
- Went over comparison of both water and sewer Cap fees existing vs. proposed showing what factors changed in the proposed Cap fees when you compare it to the existing Cap fees in a cost per EDU
 - Showed the cost of increase in borrowing costs (interest rate)
 - Showed the cost for increase in deficit
 - Showed the cost of adding sewer treatment in the proposed Wastewater Cap fee. The existing fee does not have a treatment expansion component
 - Showed the cost of adding new EWA approved equipment that expands solids treatment capacity
- Discussed total cost increase to developer
- Committee asked for comparison of how the proposed rates compare to other agencies
- Discussed next steps
 - Set up meeting with BIA
 - Discuss public workshop along with future Board workshop (separate from the Master Plan)

This item was presented for information only.

BUDGET KICKOFF

Finance Manager Owen stated that this month staff added the actual audited 2018 numbers for the budget and started working on 2019 projections. Staff have been provided with budget requests in order to provide their specific requests for this year. Will be starting with the budget calendar to set the dates for future committee meetings. Will also be looking at a budget versus actual for the last six years. Budget requests will begin in March. Will look at salaries, payroll estimates and requests, put together the debt service forecast, and start working on the reserve budget and tenure consolidated years. The next potential Committee meeting will be held on March 14.

Finance Manager Owen provided the following information:

- In April, the budget was finalized as far as the department expenses and will start reviewing and refining it based on comments from the Board and other changes
 - Considering a Finance Committee meeting on April 15
 - An additional meeting will take place on April 29
 - On April 29, hoping to have gone out for an RFP selecting consultant
- Staff hired a consultant in 2013 and 2015
 - In 2017, the model was scrapped and was created in-house
 - Finance Committee needs to be involved at the outset
 - Select a consultant to assist with general parameters for the cost of service study
- In May, staff will begin looking at the first draft proposed budget
 - Staff will revise based on Committee's recommendations
 - Possible Committee meeting on May 13
 - Board Workshop on May 29 to review proposed budget/solicit Board feedback
 - June 5, draft final budget to the Board for potential approval
- Staff has incorporated the 2018 numbers for the budget to actual for the last six years
 - In 2018, the District was over budget by \$444,000 or 3.87%
 - Most of the variance has to do with book entry made – GASB 68 requires the District to book an entry to PERS expenses
 - Overall effect of GASB 68 for 2018 was \$859,000 to water
 - If entry was not made, would be under budget by approximately \$400,000
- Staff reviewed the major variances for FY 17-18 identifying the notable variances for water
 - Pumping is overbudget by approximately \$163,000
 - Transition/distribution was below budget as a result of the previous year
 - Engineering variance is directly related to the GASB entry which posts to labor
 - IT is under budget by \$204,000
 - G&A is related to GASB 68

- Staff reviewed the budget to actual for sewer
 - The variance went from 11.03% to 8.27% below budget
 - The sewer effect of GASB 68 is \$560,000
 - Collection and conveyance is \$338,246 below budget due mostly to outside services
 - IT is below budget due to IT supervisor position and outside services

This item was presented for information only.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:52 p.m.