

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 15, 2019 AT 3:30 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 3:30 p.m.

Present: Director Sannella
 Director Martin
 General Manager Pruiem
 District Engineer Gumpel
 Finance Manager Owen
 Operations & Maintenance Manager Pedrazzi
 Capital Facilities Senior Engineer Hubbard
 Accounting Supervisor Glenn
 Financial Analyst Arthur
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

Finance Manager Owen requested the order of the agenda be changed to discuss salary and benefits first. He facilitated a presentation on the background and a progress update of the budget process which included:

- Budget Calendar
- Salary and Benefit Estimates
- Draft Capital Budget
- Draft Capital Budget Page
- Vehicles and Equipment
- Next Steps – Budget Calendar

SALARY AND BENEFIT ESTIMATES

Finance Manager Owen provided a comparison of the FY 2018-19 budget versus projected expenses. Salaries are currently under budget by approximately \$251,000 and benefits are under budget by approximately \$171,000, for a total of \$422,000 under budget projected to the end of this fiscal year. A comparison of the FY 2018-19 budget and projected FY 2019-20 budget shows an increase in salaries of \$484,000 (4.99%). Benefits will increase by \$433,000 of which the majority is attributed to the PERS increase (\$338,000). The total increase for salaries and benefits is projected to be \$917,000. \$410,000 of that amount includes budgeting 12 months for positions that were only partially budgeted during the current fiscal year due to hiring of staff to fill vacant positions as well as a proposed new position of Asset Management Supervisor.

General discussion took place regarding the need for the new Asset Management Supervisor position.

CAPITAL BUDGET REQUESTS

Finance Manager Owen reviewed components of the draft budget including the comprehensive project list, carryover projects, new requests, and vehicles and equipment. The total capital budget for FY 2019-20 is projected to be \$147,034,500 including projects spread out over five years. These are preliminary numbers that will be reviewed and revised as needed before the next Committee meeting.

General discussion took place regarding projects for which the District receives reimbursement and how the net cost of these projects could be more easily identified.

Operations & Maintenance Manager Pedrazzi discussed the vehicle and equipment schedule. Total cost is projected to be \$687,500.

Finance Manager Owen stated the next Committee meeting is tentatively scheduled for April 29. At that meeting staff will provide a preliminary review of water purchases and sales, the draft budget, the Cost of Service Study RFP update, and discuss Board requested items. The Committee is also tentatively scheduled to meet on May 13 to review the draft proposed budget. A Board workshop will be scheduled on May 29 for the first review of the proposed budget. The recommended budget will be presented to the Board on June 5 for approval.

PROPOSED CAPITAL FACILITY FEES

District Engineer Gumpel stated the draft capacity fees associated with the new Master Plan were presented to this Committee on February 25. Since that meeting, staff has met with representatives of the Building Industry Association (BIA), the District's consultant on the capital facility study review, finance staff, and the District's financial advisor. Based on the recommendations of the consultant and financial advisor, the proposed draft capacity fees have been revised.

District Engineer Gumpel provided information on the phasing of capital projects, three scenarios for capacity fees with different corresponding interest rates, water and wastewater Capital Improvement Program (CIP) projects, and water and sewer capacity fee comparisons to neighboring agencies.

General discussion took place regarding the current capital facility revenue shortfall since the capital facility fees were last adjusted in 2010. Finance Manager Owen explained that the current capital facility fees are too low to cover expenditures and the historical deficit; therefore, the District borrows from the replacement reserves to cover the shortfall in capacity and pays back the replacement reserves with interest. The

current repayment structure is such that the shortfall will be paid off in twenty years with no further need to borrow from replacement reserves.

District Engineer Gumpel explained the three capacity fee options with the difference between the options being interest rates. Based on the consultant's recommendation, staff recommends the Draft "B" option. Director Sannella suggested a review of interest rates every two years instead of waiting until the next Master Plan is completed to address capacity facility fees.

General discussion took place regarding the capacity fee comparison between Vallecitos and other agencies. The data is difficult to compare as all agencies apply their fees differently. District Engineer Gumpel stated he has shared with the BIA all of the information that this Committee has received. The BIA has also been informed that the consultant will present the proposed capital facility fees to the Board for the first time at the May 1 Board meeting.

Mike Hunsaker, member of the public, commented on the 2010 Master Plan, the capacity fee for wastewater study performed in 2011, and the need for a more complete analysis of the recapture of costs and an audit on deferred payment plans. Mr. Hunsaker asked about the status of phase five capacity, how deferred payments and interest rates are captured, if recycling of wastewater is being considered, and how costs of the Interceptor project will be recaptured. Staff responded to Mr. Hunsaker's questions.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:56 p.m.