

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, MAY 13, 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 4:05 p.m.

Present: Director Sannella
Director Martin
General Manager Pruum
Finance Manager Owen
Accounting Supervisor Glenn
Financial Analyst Arthur
Executive Secretary Posvar

ITEM(S) FOR DISCUSSION

General Manager Pruum stated that today's meeting will be an update on the budget focusing on PERS costs and how to address unfunded liability. When this item goes before the Board, staff will provide options, will have a base budget, and options on how they want to address the PERS unfunded accrued liability, and ask the Board to consider this in its totality.

REVIEW DRAFT BUDGET

Finance Manager Owens stated that this meeting's discussion will consist of a Background/Progress Update, PERS Accelerated Payments, and the next steps in the process. Previous meetings were held on February 25, March 14, April 15 and April 29. Finance Manager Owens provided a recap of the last meeting.

Finance Manager Owen reviewed the following:

- Reserve projections with debt; debt proceeds for 2022/23 – 6,000,000 and 2023/24 – 20,000,000; debt service coverage without capacity fees or property tax & RDA for 2022/23 and 2023/24; and days of operating expenses in unrestricted cash and investments for 2022/23 and 2023/24. He also reviewed the draft reserve projections for 2022/23 and 2023/24; debt proceeds for 2022/2023 – 10,000,000, and 2023-24 – 18,000,000; debt service coverage without capacity fees or property, and days of operating expenses in unrestricted cash. The total debt for capacity projects is \$28,000,000.

- PERS scenarios which consisted of the following: Funding 100% in 2020 - \$16.9 million; Funding 90% in 2020 – \$16.9 x .9 = \$15.2 million; 3 years to 100% funded; and pay \$2 million extra per year.
- Draft budget reserves, PERS UAL 100% funded (interest savings \$16,147,121); PERS UAL 90% funded (interest savings \$14,930,427); PERS UAL 3 years 100% (interest savings \$14,266,143); PERS UAL \$2M Extra/Year (interest savings \$9,775,845); PERS UAL payoff scenarios (year 3 payment will be approximately \$5.4 million); Pros – the higher the extra payment, the greater the interest cost savings; Cons – the higher the extra payment, the greater the exposure to market.
- Next Steps: May 2019 – public meetings/workshops; Board workshop – May 29, 2019; first review of proposed budget. June 2019 – management staff to review draft proposed budget; Board meeting on June 5; approve recommended budget.

Discussion took place on the PERS UAL payoff scenarios. Finance Manager Owen stated that if the District goes with 3 years and invests the \$5 million, that will give staff the opportunity to look at it again next year and reanalyze it.

Director Sannella requested that when this item is presented to the Board that staff provide an additional option for payment over two years to 100%.

Finance Manager Owen confirmed three options: 1) 100% payoff; 2) two-year payoff; 3) extra \$2 million payment.

Staff discussed the potential of having two Board workshops instead of one, the initial calendar had one Board workshop on May 29. A special meeting could be scheduled on June 13 for adoption of the budget. General Manager Prui stated he will contact legal counsel to determine if the budget can be adopted at a special meeting.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:01 p.m.