

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MAY 29, 2019, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Martin called the Workshop Meeting to order at the hour of 5:00 p.m.

District Engineer Gumpel led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez (Arrived at 5:09)
Director Sannella
Director Martin

Staff Present: General Manager Pruiam
Legal Counsel Gilpin
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Glenn
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE WORKSHOP MEETING OF MAY 29, 2019

19-05-15 MOTION WAS MADE by Director Sannella, seconded by Director Evans, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Workshop Meeting of May 29, 2019.

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

DRAFT BUDGET REVIEW

General Manager Pruiam stated the purpose of this workshop was to review the proposed Fiscal Year (FY) 2019/2020 budget. Adoption of the budget is tentatively scheduled for the Special Board meeting on Thursday, June 13, 2019. The budget was reviewed extensively by the Finance/Investment Committee over the course of six meetings. He noted that five-year forecasting pertaining to reserve levels, Capital Improvement Program projects (CIP), and debt will be included in the discussion; however, only the proposed FY 2019/2020 budget will be considered for adoption. The proposed budget and forecasts assume certain assumptions such as water sales, future rate increases, capital facility fee increases, power costs, and future debt issuance for budget purposes only. He also noted the proposed budget includes the minimum PERS payments for the District and accelerated PERS payments for Encina Wastewater Authority.

Finance Manager Owen facilitated a presentation on the proposed FY 2019/2020 budget, along with Financial Analyst Arthur who discussed water purchases, as follows:

- Budget Process & Calendar
- 2019/20 Budget - \$90,123,000
- 2019/20 Water Operating Expense Budget - \$44,339,000
- Operating Budget - Water
- 2019/20 Wastewater Operating Expense Budget - \$14,258,000
- Operating Budget - Sewer
- Salary & Benefits Budget-to-Budget Comparison
- Operating Budget - Salaries & Benefits
- Capital Budget-to-Budget Comparison
- Capital Improvement Projects by Function Total
- Capital Budget
- Capital Budget Timeline
- Reserve Balances
- Water Reserves
- Wastewater Reserves
- Days in Cash
- Next Steps

General question and answer took place during the presentation.

Finance Manager Owen stated the Board approved funding PERS in the amount of \$834,000 from the Diamond Environmental settlement and JPIA refund checks. The funds are included in the beginning balances and will be sent to PERS before the end of the fiscal year.

Finance Manager Owen provided a presentation on accelerated payments toward the PERS Unfunded Accrued Liability (UAL) which included:

- Background
- Proposed Reserve Projections
- PERS Scenarios
 - PERS UAL 100% Funded
 - PERS UAL - 2 Years 100%
 - PERS UAL - 3 Years 100%
 - PERS UAL - 3 Years 100% - Half in Year 1
 - PERS UAL - \$2M Extra/Year
- Proposed Budget Reserves
- PERS UAL Payoff Scenarios

General discussion took place regarding the scenarios presented and how much interest each scenario would cost in addition to the savings that were presented. General Manager Pruim stated the scenario of paying 100% of the UAL over three years paying half in the first year would afford the District more flexibility should it be necessary, and that if the Board chose that option, more could be paid if market conditions are favorable.

During further general discussion, a consensus of three Board members with two Board members declining, directed staff to incorporate into the proposed budget the PERS scenario paying the UAL off over three years with paying half in the first year.

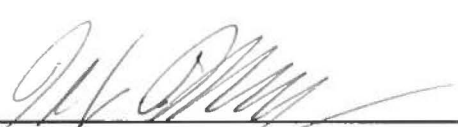
OTHER BUSINESS

None.

ADJOURNMENT


There being no further business to discuss, President Martin adjourned the Workshop Meeting of the Board of Directors at the hour of 6:52 p.m.

A Special Meeting of the Vallecitos Water District Board of Directors has been scheduled for Thursday, June 13, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.



Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:



Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District