

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, JUNE 17, 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 Sannella  
Director Martin  
General Manager Pruum  
Finance Manager Owen  
Accounting Supervisor Glenn  
Financial Analyst Arthur  
Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr LLP

ITEM(S) FOR DISCUSSION

AUDIT KICKOFF

Finance Manager Owen introduced Shannon Ayala of DavisFarr LLP. He stated the District has a three-year contract with DavisFarr LLP for auditing services with an option for two one-year extensions. This is the second year of the contract.

Ms. Ayala facilitated a presentation on the audit for the fiscal year ending June 30, 2019 as follows:

- SAS 114 Planning Letter
- Audit Timing & Procedures
- Final Procedures
- Upcoming Accounting Changes

Auditing staff are currently performing field work on site this week. Final field work will be conducted September 23 – 27.

Mike Hunsaker, member of the public, asked how reimbursements the District makes to developers for upsizing pipes for capacity are accounted for as potential liabilities on the balance sheet, is interest charged, is the reimbursement based on the capacity fees paid or the current fee at the time of request for reimbursement, the option of selling or leasing excess capacity, and are capacity fees for large apartment developments being properly collected? He stated deferred capacity fees should be aged to make sure they get paid.

Staff will research Mr. Hunsaker's concerns and respond to his questions.

### COST OF SERVICE STUDY UPDATE

General Manager Pruim stated the last Cost of Service Study (COSS) covered a two-year period and resulted in two rate increases, of which the last increase went into effect on January 1, 2019. The purpose of the COSS is to determine revenue needed to cover operational expenses. Staff is currently in the process of bringing a rate consultant on board to conduct the COSS.

Finance Manager Owen stated Request For Proposals (RFPs) were sent to approximately 17 consultants. Staff received only two proposals. Feedback obtained from consultants who did not submit proposals revealed that the scope and timing of the COSS were the main reasons for not pursuing the contract. Staff will review the two proposals that were received and modify the scope to eliminate items staff can do internally that would shorten the time and cost of the study. A new COSS is not necessary every two years and would be at the Board's discretion; however, the goal is to develop a rate model to be used going forward.

General discussion took place regarding the cost of the COSS. Finance Manager Owen stated that both of the proposals received were over \$100,000. Staff's target is approximately \$80,000. The COSS is the legal basis for the Proposition 218 process and is more legally defensible if performed by a third party.

General Manager Pruim clarified that the current rate structure will remain in place until it is replaced by another if the COSS and 218 process are not completed by the January 2020 goal. The COSS would need Board approval, possibly at the July 17 Board meeting.

### OTHER BUSINESS

Director Martin requested a simple graph illustrating budget-to-actual year-end data for the past ten years.

Finance Manager Owen suggested the Committee review the overhead rate in July. The overhead rate does not have an urgent deadline but should be addressed in the new fiscal year.

### PUBLIC COMMENT

None.

### ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:31 p.m.