

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, NOVEMBER 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 4:03 p.m.

Present: Director Sannella
 Director Martin
 General Manager Pruim
 Finance Manager Owen
 Accounting Supervisor Glenn
 Principal Financial Analyst Arthur
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

COST OF SERVICE STUDY

General Manager Pruim stated staff considered the Committee's feedback on the Cost of Service Study (COSS) from the previous Committee meeting and would be providing an update and several options for consideration. A Board workshop is tentatively scheduled for December 9 providing all Board members are able to attend. Items to be discussed at the workshop include the background and purpose of a COSS, options presented today, and the preliminary timeline should the Board approve moving forward with the 218 process.

Staff facilitated a presentation as follows:

- Background
- Revenue Requirement and Budget Rate Increases
- Projected Revenue, Water Fund
- Scenarios
 - No Increase FY 2020, 3.61% Increase 01/01/21
 - No Increase FY 2020, Budgeted Revenues FY 2021
 - 2% Increase FY 2020, Budgeted Revenues FY 2021
- Budget
 - No Increase FY 2020
- Draft Estimated Water/Sewer Bill Effective 01/01/20
- Preliminary Calendar

Principal Financial Analyst Arthur stated the budget for the current fiscal year (FY) projected a 3.5% increase effective January 1, 2020.

General Manager Pruim discussed several options and impacts of not increasing rates now. If the Board decides not to increase rates on January 1, 2020 and increases rates

in the future by the same percentage as previously projected, that would create a revenue shortfall of approximately \$1.9 million per year every year and approximately \$7.8 million over five years. A 7.35% increase next year would be necessary to cover the shortfall if there was no rate increase on January 1, 2020. Another option would be to spread the 7.35% increase over multiple years; however, the shortfall would continue to increase. An additional option would be to split the difference with a rate increase of 2.0% in the first year (2020) and 5.17% in the second year (2021).

General discussion took place regarding the budget process. Water costs make up approximately 75% of the budget which the District has no control over.

Finance Manager Owen reviewed the current downward trending for water and wastewater reserves and how the various options discussed would affect the floor and ceiling and days in cash. Maintaining appropriate days in cash is important to the District's credit rating which affects the District's ability to issue debt in the future.

Principal Financial Analyst Arthur discussed the estimated average water and sewer bill effective January 1, 2020 based on the options presented. A 3.5% rate increase would increase an average customer's bill 2.49%. If a 2.0% rate increase was implemented, the bill would increase 1.39%.

The Committee requested staff improve the 218 notice to be more easily read and understood. Examples of other district's 218 notices will be presented at the Board workshop.

Mike Hunsaker, member of the public, stated there has been discussion about more possible studies on the amount of water apartments are using. Will any of that be factored in? Electricity had been increasing on average 5% per year which goes into the cost of water, particularly desal. These figures may be misleading to consumers as to what they are likely to actually see. He would like to know how much of the District's revenue comes from leasing and how the costs of partial meters are recovered. Staff explained how electricity increases are factored into rates.

OTHER BUSINESS

None.

PUBLIC COMMENT

Mike Hunsaker inquired about possible implications of SB 330. General Manager Pruum stated legal counsel is still reviewing SB 330.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:59 p.m.