

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, MARCH 2, 2020 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:00 p.m.

Present: Director Sannella
Director Martin
General Manager Pruim
Finance Manager Owen
Principal Financial Analyst Arthur
Senior Accountant Olsen
Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

BUDGET ACTUALS LAST FIVE YEARS

In preparation for the upcoming budget process, Finance Manager Owen reviewed the budget-to-actual numbers for the past six years for water and sewer. Water operating expenses were over budget by 7.01%, or \$817,279, for Fiscal Year (FY) 2018/2019. The major causes of the overage were \$745,619 in Transmission & Distribution due to several main breaks, outside repairs, and engineering assistance with the main breaks. Information Technology was under budget by \$104,356. Sewer operating expenses in FY 2018/2019 were under budget by 9.92%, or \$688,600, attributable to lift station materials and staffing (\$104,515), Information Technology (\$125,942) and General Administration/Finance (\$351,051) due to staffing turnover.

PRELIMINARY BUDGET CALENDAR

Finance Manager Owen presented the preliminary budget calendar and explained the internal process that will place during the next few months. Meetings of this Committee were tentatively scheduled for March 23 at 3:30 p.m., April 13 at 4:00 p.m., and April 27 at 4:00 p.m. The first draft budget will be ready for the Committee to review on May 11 and for Board review at a workshop on May 20. It is anticipated the recommended budget will be presented to the Board for adoption on June 3.

RECLAIMED WATER SALES

Finance Manager Owen stated staff has been discussing reclaimed water sales with Olivenhain Municipal Water District (OMWD) and Carlsbad Municipal Water District (CMWD) to review the District's costs and whether they are being fully recovered. Staff developed a new methodology to calculate the cost recovery. As a result of the discussions, OMWD paid Black & Veatch to perform a Cost of Service Study (COSS) on Vallecitos. The result of the COSS revealed that Vallecitos was correct in its methodology. Staff retroactively billed OMWD for approximately \$117,000 and CMWD

\$476,000. \$593,000 was collected for FY 2019. Finance Manager Owen anticipates collecting about the same amount going forward, increasing the reclaimed water revenue by approximately \$800,000.

General discussion took place regarding what can be done with the additional reclaimed water revenue. Finance Manager Owen stated the funds will go into sewer reserves to be used for rate stabilization. It may result in not increasing sewer rates or possibly decreasing them.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:37 p.m.