

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, MARCH 23, 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 4:07 p.m.

Present: Director Sannella
 Director Martin
 General Manager Pruim
 Finance Manager Owen
 Operations & Maintenance Manager Pedrazzi
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

OPERATING BUDGET REQUESTS

General discussion took place regarding the COVID-19 situation's effect on staffing levels, Information Technology (IT) security, and water sales.

Finance Manager Owen provided an overview on the budget process to date. Preliminary budget requests have been received from all departments. He reviewed the draft operating budget for water and sewer budget-to-budget rather than budget-to-actual because it is too early as there are four months left in the current fiscal year. All numbers are very preliminary and subject to change.

Water operating expenses increased \$277,000 or 2.29%. The most significant increases are in Pumping at \$128,000, specifically Outside Repair/Service and Power, and General & Admin at \$114,000. Operations & Maintenance Manager Pedrazzi stated the increase in Pumping was due to compliance with new OSHA regulations concerning high voltage panels and the cost of SDG&E power. Finance Manager Owen stated that for General & Admin (G&A), Cost of Labor decreased \$83,000 mainly due to staff turnover with new staff coming in at lower salaries. The Admin Credit Transfer, or overhead, is decreasing by \$142,000 resulting in an increase in G&A costs because the engineers are spending more time in the office working on transmission and distribution issues and less time on projects.

Sewer operating expenses decreased by \$129,000 or 1.1%. Expenses decreased for the District's Meadowlark Reclamation Facility (MRF) by \$151,000 due to decreased chemical costs and outside services at the plant. Operations & Maintenance Manager Pedrazzi stated media filters have been changed out and inefficient blowers have been replaced with more efficient ones. Finance Manager Owens stated expenses for Building and Grounds increased \$60,000 mainly due to furniture replacement in Building A, anti-skate boarding devices in the yard, installation of a handicapped parking space in the employee parking lot outside of Building A, and installation of water shut-off valves in Building A. Expenses for IT increased \$51,000 mainly due to outside services for licensing, Maximo support, additional costs for asset management, and the Ignition support (SCADA software).

PRELIMINARY PAYROLL ESTIMATES

Finance Manager Owen presented preliminary salary and benefit estimates based on comparisons of Projected vs. Budget FY 19/20, Projected vs. FY 18/19, and Budget vs. Budget. Total salaries and benefits are projected to be \$85,000 less than what was budgeted for this fiscal year. The main reason is that group insurance is decreasing \$384,000 because Other Post Employee Benefits (OPEB) is fully funded and the District can be reimbursed from the OPEB trust to pay for health insurance for its retirees. Total labor for water and sewer is budgeted to increase by \$224,000, or 2.24% over the FY19/20 budget. Total Salaries & Benefits is budgeted to be \$298,000 less than the FY19/20 budget because PERS is decreasing. The District made an \$8 million payment on the Unfunded Accrued Liability (UAL) which saved the District money on interest and \$432,000 on the principal of the UAL. The group insurance will decrease \$271,000 as the cost for retirees will be funded through the OPEB trust.

Finance Manager Owen reviewed the budget calendar for April through June as follows:

- April 13 – Committee will review capital budget requests.
- April 27 – Committee will discuss Cost of Service Study (tentative) and Board requested items.
- May 4 – Committee will review draft proposed budget and discuss Board requested items.
- May 20 – Board workshop for first review of the proposed budget.
- June 3 – Recommended budget to be presented to the Board for approval.

General Manager Pruim suggested the Committee meetings be conducted via teleconference.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:07 p.m.