

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, JULY 27, 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. The meeting was held via teleconference.

Present: Director Sannella
 Director Martin
 General Manager Pruum
 Finance Manager Owen
 Principal Financial Analyst Arthur
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

ANNUAL YEAR IN REVIEW PRESENTATIONS

General Manager Pruum stated the Board receives monthly financial updates at the second Regular Board meeting of each month. The Fiscal Year (FY) 2019/20 ended on June 30, 2020. The annual financial audit process will not be completed until November; however, staff wanted to give the Committee more timely financial data regarding FY 2019/20.

Finance Manager Owen stated that the unaudited financial information that would be presented reflects actual versus budget for the fourth quarter of FY 2020 as of July 5, does not include accruals, and is subject to change as invoices for a significant amount of expenses for materials, services, and projects have not been received yet. He noted that the numbers for reserves are actual numbers that will not change as reserves are cash based.

Finance Manager Owen and Principal Financial Analyst Arthur facilitated a presentation on the FY 2020 Year in Review as follows:

- Water Operating Revenues
- Water Operating Expenses
- Sewer Operating Revenues
- Sewer Operating Expenses
- June 30, 2020 Reserves
- Replacement Reserves
- Capacity Reserves
- Budget Comparisons
- Next Steps

Principal Financial Analyst Arthur stated the District's customer base increased by .33% over the previous year with 77 additional water meters.

Finance Manager Owen stated that this presentation will be provided to the Board at the August 19 Regular Board meeting. Going forward, staff intends to provide a similar presentation to the Board annually at the first Board meeting of each fiscal year.

Finance Manager Owen further stated the audit field work will be completed September 21 – 25 and that staff will present the Comprehensive Annual Financial Report to the Board in November.

Mike Hunsaker, member of the public, addressed the Committee inquiring about the construction fee inflation rate factor, increases in water costs, and the decrease in desalinated water purchases. General Manager Pruim responded to Mr. Hunsaker's questions.

PERS EARNINGS UPDATE

General Manager Pruim stated he recently watched a PERS webinar which provided an update on FY 2020 investment earnings. He briefly discussed PERS' investment performance, historical annualized returns, and asset class returns, noting the following:

- PERS' targeted rate of return is 7%.
- There was a \$70 billion loss in equity for February – March.
- The rate of return for FY 2020 was 4.7%
- FY 2020 ending asset valuation was \$389 billion. As of today, it is \$403 billion.
- It takes PERS over two years to incorporate changes into return rates when determining contribution levels for its members and member agencies. Impacts will start to be seen in FY 2023.
- The 5-year rate of return is 6.3%; over a 30-year period, the return is 8.0%.
- PERS is well diversified with five different asset classes.

General Manager Pruim further stated the latest PERS actuarial report should be released in August and an update will be provided to the Committee and the Board.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:46 p.m.