

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 22, 2021 AT 4:00 P.M.
VIA TELECONFERENCE

Director Sannella called the meeting to order at the hour of 4:00 p.m. The meeting was held via teleconference.

Present: Director Boyd-Hodgson
 Director Sannella
 General Manager Pruim
 District Engineer Gumpel
 Finance Manager Owen
 Accounting Supervisor Rathsam
 Principal Financial Analyst Arthur
 Executive Secretary Posvar
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

BUDGET TO ACTUAL RESULTS LAST 5 YEARS

Finance Manager Owen presented budget-to-actual data for the past six years. Water operations were under budget for Fiscal Year (FY) 2019/2020 by 1.21% (\$146,487). The most significant variances were in the Pumping, Tanks & Reservoirs, and Transmission & Distribution Departments, mainly due to outside services that did not get completed and budgeting for main breaks that did not occur. General & Administration was over budget due to higher than projected sick and vacation leave usage and less time posted to projects. Sewer operations were under budget for FY 2019/2020 by 3.83% (\$274,433). The most significant variances were in the Collection & Conveyance Department due to reduced chemical costs and budgeted emergencies and maintenance expenses that did not occur, Information Technology (outside services that were not performed) and General & Administration for the same reasons as water operations.

Finance Manager Owen noted that the results for sewer exclude treatment costs which include disposal costs for Encina Wastewater Authority (EWA) and the District's Meadowlark Reclamation Facility (MRF). EWA's costs are not something the District can control and most of MRF's costs for tertiary treatment are reimbursed through reclaimed water sales.

PRELIMINARY BUDGET CALENDAR

Finance Manager Owen provided an overview of the budget process and presented a preliminary budget calendar subject to the availability of the Committee as follows:

- March 22 (Committee)
- April 12 (Committee)
- April 26 (Committee)

- May 3 (Committee)
- May 19 (Board Workshop)
- June 2 (Regular Board Meeting – approval of recommended budget for adoption)

General discussion took place regarding the proposed budget meetings. The consensus of the Committee was that a 3:00 p.m. meeting time was preferred unless the length of the agenda necessitates an earlier starting time. General Manager Pruim will provide the Committee with a list of the tentative meeting dates.

CAPACITY FUND

General Manager Pruim stated this item will be placed on the agenda for the March 3 Regular Board meeting and that the Committee will be asked for their input as to how it should be presented at the Board meeting.

Finance Manager Owen presented information on the capacity fund in response to questions at the February 17 Board meeting regarding the San Marcos Interceptor Phase 2 Project and its impact on the capacity fund deficit. As planned, funds spent on that project increased the deficit in 2021. The deficit is a temporary increase in a paper loan that will be paid off over ten years and is included in the capacity fee rate structure which provides that capacity reserves will pay interest to replacement reserves for the paper loan. Staff is consulting with the District's financial advisors to identify existing projects and expenditures that would be eligible for issuing debt. As planned, staff is anticipating debt issuance of \$10 million in FY 2022, and if necessary, \$50 million in FY 2025; however, these numbers are subject to change. If all goes as planned, the capacity fund deficit will be eliminated in ten years. The total for growth projects, including the San Marcos Interceptor Phase 2 Project, is \$45.6 million. The total planned debt issuance is \$60 million over the next five years.

General Manager Pruim's recommendation for the March 3 Board meeting is to have staff present a general overview of capacity versus replacement funds, the status of each of those accounts, steps the Board has already taken, and additional steps that are being considered. Director Sannella concurred with General Manager Pruim. Director Boyd-Hodgson requested staff provide her with information presented at this meeting. General Manager Pruim will forward the information to Director Boyd-Hodgson as well as to member of the public Gayle Martin.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:32 p.m.