

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 12, 2021 AT 2:00 P.M.
VIA TELECONFERENCE

Director Sannella called the meeting to order at the hour of 2:00 p.m. The meeting was held via teleconference.

Present: Director Boyd-Hodgson
 Director Sannella
 Director Elitharp
 General Manager Pruim
 Administrative Services Manager Emmanuel
 District Engineer Gumpel
 Finance Manager Owen
 Operations & Maintenance Manager Pedrazzi
 Accounting Supervisor Rathsam
 Executive Secretary Posvar
 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

PRELIMINARY SALARIES AND BENEFITS

Finance Manager Owen provided an overview of the budget process to date and presented preliminary payroll and staffing estimates. For Projected vs. Budget FY 2020/21, salaries are projected to be under budget by \$100,000. Total salaries and benefits are projected to increase by \$58,000, mainly due to an increase of \$143,000 in PERS. For Projected vs. Actual Budget for FY 2019/20 there is a decrease of \$301,353 in salaries mainly due to employee turnover and retirements. Total salaries and benefits are projected to decrease by \$660,448 as benefits are projected to be \$359,095 lower than last year due to lower PERS and group insurance costs. For Budget vs. Budget a \$189,000 (1.79%) increase in salaries over last year is projected. Total salaries and benefits are projected to increase by \$295,000 mainly due to increased group insurance costs. The number of authorized positions has remained steady at 108.75 for the past several years.

General discussion took place regarding the Assistant General Manager (AGM) position and an Accounts Analyst position. The budget projections include nine months of funding for the AGM position and no funding for an Accounts Analyst position. Director Sannella requested staff present salary and benefits projections without both positions, with both positions, and with the Accounts Analyst only. Director Boyd-Hodgson requested more information on budgeted vs. actual Board expenses.

Finance Manager Owen presented information on Directors' salaries and benefits excluding travel expenses. He noted there was a large increase in group insurance costs over last year. Total salaries and benefits are projected to increase by \$1,000 over last year. Director Sannella requested staff provide information on whether other agencies provide full benefits to part-time employees such as Board members.

Finance Manager Owen reviewed the Operating Budget – Salaries and Benefits and Full Time Equivalent Employees, noting that salaries and benefits have remained steady over the past five years. The number of full-time positions decreased from 115.5 in FY 2014/15 to 107.75 in FY 2017/18 and have remained steady over the last four years. The District has kept staffing levels low even as the number of customers and service needs are increasing.

PRELIMINARY CAPITAL IMPROVEMENT PROGRAM

Finance Manager Owen reviewed an example of a capital budget page that is associated with each Capital Improvement Program (CIP) project. The capital budget page contains project information including a description, project manager, project number, the department responsible for the project, funding source, comments, spending plan, and timeline.

Finance Manager Owen reviewed the draft CIP comprehensive project list which includes carryover projects from the previous year that have not been completed and new requests.

District Engineer Gumpel discussed requests for budget increases for carryover projects totaling \$5 million which included the Meadowlark Failsafe Rehabilitation-Buena Reach (\$1.8 million), 16-Inch Emergency Bypass Pipeline Rehabilitation (\$1.2 million), and Ductile Iron Pipe Condition Assessment (\$695,000).

Finance Manager Owen reviewed the five-year spending plan. He noted that the Board will be asked to consider only a one-year budget. The CIP for FY 2021/22 carryforward projects is projected to be \$23.4 million, a \$6.5 million increase from last year. The increase is mainly due to major projects including the Montiel Lift Station and Forcemain Replacement (\$4.3 million) and City of San Marcos Creek District Phase 1 (\$2.4 million). District Engineer Gumpel provided details about the projects.

Finance Manager Owen reviewed new project requests for FY 2021/22 totaling \$63.9 million. Included in that amount are the Encina Wastewater Authority Five Year Plan (\$32.2 million), and future projects (\$27 million) which serves as a placeholder in the five and ten year reserve projections. The largest new project is the Camino de Amigos Sewer Replacement (\$1.3 million). District Engineer Gumpel provided details on that project. The total ten-year CIP budget for FY 2021/22, including carryover projects and new requests, is projected to be \$136.7 million, down from \$144.9 million last year.

Finance Manager Owen discussed the requests for vehicle and equipment replacement totaling \$662,000 which includes replacement of two construction vehicles, a Kenworth T370 truck with service body (\$230,000) and a vacuum excavator (\$165,000). Operations & Maintenance Manager Pedrazzi provided details on the vehicles to be replaced.

Finance Manager Owen reviewed the tentative budget calendar as follows:

- April 26 (Committee Meeting) – Cost of Service Study update; debt issuance discussion; discuss Board requested items
- May 3 (Committee Meeting or Board Workshop) – Review draft proposed budget; discuss Board requested items
- May 19 (Board Workshop) – First review of proposed budget

- June 2 (Board Meeting) – Approval of recommended budget

General discussion took place. Director Sannella asked when the budget process will tie into the rate adjustment process. Finance Manager Owen stated that when the draft budget is presented to the Committee and Board, it will not include a rate increase and will show the status of the revenue requirements, reserves, days in cash, etc. The Committee and Board will have an opportunity at that time to consider cutting expenses, use of reserves or increasing rates if necessary. General Manager Prum noted that when increasing costs from outside entities such as the San Diego County Water Authority, Encina Wastewater Authority, electricity, and insurance are considered, it is highly unlikely that a budget with no rate increase is possible without seriously impacting service levels.

The consensus of the Committee was to schedule a Board budget workshop on or around May 3, subject to the Board's availability, to review the draft proposed budget.

DEBT ISSUANCE

Finance Manager Owen stated staff has begun discussions with the District's financial advisors and bond counsel regarding possible debt issuance, a five to six month process. Interest rates would not be officially locked in until the fourth month. Staff suggested inviting the financial advisors to the next Finance Committee meeting to discuss the process.

Gayle Martin, member of the public, requested the Committee consider adopting resolutions of intent to incur debt, and that all financial information be made available to rate payers at the same time Committee and Board meeting agendas are made available to make it easier for the public to follow along in the discussions.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:38 p.m.