

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 26, 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
 General Manager Pruim
 Finance Manager Owen
 Accounting Supervisor Rathsam
 Principal Financial Analyst Arthur
 Administrative Secretary Johnson

Others Present: Lora Carpenter, Fieldman Rolapp & Associates
 Robert Porr, Fieldman Rolapp & Associates
 Douglas Brown, Stradling Yocca Carlson & Rauth
 John Wright, Raftelis
 Arisha Ashraf, Raftelis

ITEM(S) FOR DISCUSSION

DEBT ISSUANCE DISCUSSION

General Manager Pruim stated debt is commonly used by public agencies to finance costly infrastructure projects. The purpose of the discussion was to give the Committee a better understanding of what is involved in the debt issuance process and the cost.

Finance Manager Owen stated debt issuance was included in the approved FY 2020/21 budget in 2022 as part of the five-year plan. Staff has been discussing financing possibilities with the District's financial advisors and bond counsel. The next step is to determine the amount of debt issuance to be considered in the draft FY 2021/22 budget.

Financial Advisor Lora Carpenter of Fieldman, Rolapp & Associates facilitated a presentation on capital funding as follows:

- Introduction
- What Are Bonds?
- Market Update
- Rates Are Still Near Historic Lows
- District Capital Improvement Program (CIP) Needs
- Estimated Debt Profile

- Finance Team
- Estimated Cost of Issuance
- Next Steps

General discussion took place regarding whether adopting a resolution of intent to issue debt as the District has done in the past would be beneficial. Staff has prepared a resolution of intent to issue debt for CIP projects included in the FY 2021/22 draft budget. General Manager Pruim clarified that adopting the resolution would not obligate the District to issue debt; however, it is required for reimbursement for the projects.

Finance Manager Owen stated issuing debt will be used to pay for capacity projects and that \$28 million in debt is included in the draft FY 2021/22 budget for two reasons: rates are at historically low levels; and if debt is not issued in the FY 2021/22 budget, it would reduce wastewater reserves to a very low level by 2023. Waiting until 2023 to issue debt could result in higher interest rates depending on market conditions at that time.

COST OF SERVICE STUDY UPDATE

General Manager Pruim stated the Board approved a Cost of Service Study (COSS) last year; however, it was put on hold when the COVID-19 pandemic started.

Finance Manager Owen stated progress has been made on the COSS, and that John Wright of Raftelis would provide an update to the Committee. Mr. Wright facilitated a presentation, Water Cost of Service Study Update, as follows:

- What is Cost of Service?
- Cost of Service Study Process
 - Revenue Requirement Determination
 - Cost of Service
 - Rate Design
- Cost of Service – Allocation to Cost Components
- Commodity Rate Design
- Study Background and Status
- Study Objectives
- Project Status
- Board Rankings by Score
- Conclusions from Board Rankings
- Project Status
- Rate Structure Discussion
- VWD Existing Rate Structure
- Alternative Rate Structure 1: Tier 1 Modifications
- Alternative Rate Structure 2: Customer Class Rates
- Modifications to Existing Rate Structure
- Next Steps

Finance Manager Owen discussed the next steps in the COSS process. Staff intends to present the COSS to the Board in conjunction with the draft proposed budget. The draft proposed budget has been incorporated into the COSS which provides a rate model staff can use to review the rate structure analysis which will be provided to the Board. It is anticipated that proposed rates will be presented around the same time the budget is approved or shortly thereafter. The Proposition 218 process would begin after the budget is approved.

General discussion took place. Director Boyd-Hodgson requested staff provide information on the number of customers for each meter size and scenarios of how a rate increase would impact different classes of customers.

Gayle Martin, member of the public, stated that her HOA has a 4-inch pipe and is charged a fixed Ready-To-Service rate for commercial. She asked how the classification could be changed to residential. General Manager Pruim clarified that the District's current rate structure is based on meter size, not customer class.

OTHER BUSINESS

None.

PUBLIC COMMENT

Gayle Martin, member of the public, stated her monthly Ready-To-Service charge is \$13 and that she believes the HOA of her community is taking advantage of the residents.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:45 p.m.